

JPRS-CAR-93-089
15 December 1993



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JPRS Report

China

China

JPRS-CAR-93-089

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16 December 1993

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NATIONAL AFFAIRS, POLICY

Economist Wang Jue Comments on Economic Control

94CE0139A Hong Kong CHING CHI TAO PAO
[ECONOMIC REPORTER] in Chinese No 38,
27 Sep 93 pp 11-13

[Yang Hsueh-mei (2799 7185 2734) interview with Professor Wang Jue (3769 3778), a famous economist, at Wang Jue's home in Beijing on a Tuesday morning in early autumn 1993: "On a Correct Understanding of the New Situation Since Macroeconomic Regulation and Control Was Tightened"]

[Text] Professor Wang Jue, the famous economist, is a tutor of Phd candidates, president of the China Market Economy Research Council, and a member of the CPPCC. When I called to make the appointment for this special interview, he was unfortunately sick and in the hospital, but when he heard that I was inviting him to discuss the matter of current macroeconomic regulation and control, he readily agreed to the interview.

On a Tuesday morning in early Autumn, as the weather in Beijing was gradually cooling down, I arrived per appointment at the home of Professor Wang Jue, who began to chat with me enthusiastically on arrival, despite not yet being fully recovered.

The "Initial Success" Is Only One Aspect

Reporter: *Since the center proposed to rectify the financial order and tighten macroeconomic regulation and control in June, a number of measures to do so have been put into effect. In these few months, the situation has certainly changed sharply, with the views of those from all walks of life on how to assess the economic situation since the tightened regulation and control seemingly inconsistent. Will you please discuss your view of the matter?*

Wang Jue: The more prevalent view of the press and the public is that "initial success" has been achieved through the tightening of macroeconomic regulation and control. Examples are cited, such as the too high industrial growth rate is back down somewhat, the scale of capital construction investment has been controlled somewhat, individual savings are back up sharply, and the RMB exchange rate on the foreign exchange conversion market has stabilized. But I hold that this is only one aspect, and that a more detailed analysis is needed.

For instance, while the too high industrial growth rate is back down somewhat, the bigger drop is concentrated mainly in the midwestern region in state industry, with essentially no drop along the Chang Jiang [Yangtze] and in the coastal zone, and growth still very high in places, such as Pudong. While the two adjustments of interest rates were naturally a key factor in the recovery in individual savings, other factors, such as the blocked financing channels, should also be called important factors. Almost all public fundraising has been placed in

the category of excessive, with bond and stock offerings also under a strict system of restriction, examination, and approval, forcing people to put their money in bank deposits. While the exchange rate has stabilized at \$1 to 8.8 yuan, this is a case of form without market, as most people are taking a wait-and-see approach.

It needs to be pointed out that in the application of macroeconomic regulation and control, certain new problems have arisen, certain negative effects have been produced, and certain other negative effects have not yet been fully revealed. For instance, while the state had hoped that banks would recoup within a set time the capital illegally loaned for real estate and stock speculation, such illegally-loaned capital has actually been very hard to recoup, forcing some local banks to fulfill this mission by cutting back on regular loans, even to the point of cutting back the working capital of certain enterprises with very good efficiency, resulting in an enterprise production slide and efficiency decline. Furthermore, there is danger of a new round of triangular debt expanding and spreading unchecked. While the control of the scale of capital construction should have cut back the investment in poor efficiency and irrational industrial structure, some places have in fact violated the central spirit in application, through "indiscriminate application," cutting back investment that should not have been cut back, and even cutting out technological upgrading projects for some aging enterprises.

So how to assess the economic situation since macroeconomic regulation and control was tightened still needs further discussion and observation, with sweeping statements about "initial success" not necessarily reflecting the true state of affairs.

It Would Be Best To Use More Economic Means

Reporter: *Professor Wang, some theorists hold that this tightening of macroeconomic regulation and control differs sharply from the 1988 improvement and rectification campaign, one of the distinctions being that this one has used slightly more economic means. Do you accept this?*

Wang Jue: While this tightening by the center of macroeconomic regulation and control has used diversified means, such as economic, legal, and administrative, it has still been characterized sharply by direct regulation and control, obviously involving more administrative than economic means. While the two increases in interest rates were economic actions, all others, such as the tightening of bank credit restrictions, the deadlines for recouping loaned capital, and the strict examination and approval of ongoing projects, were essentially in the category of executive orders. Of course, this was determined by our particular stage of transition from a planned to a market economy, in which the two systems coexist in China. As our market development is very poor, with markets in the true sense of the word not yet having evolved, and certain market economy means basically unable to play a role, the adoption of administrative means was unavoidable.

Policymakers need to note, however, that administrative means absolutely cannot solve existing economic problems. While administrative means are as effective as short-term emergency measures, they have long-term negative consequences. Thus, the government needs to speed up the process of market development to ensure that markets grow and mature as quickly as possible, by using as many market forces and economic means as possible to solve economic problems and reduce administrative interference. Even the administrative means that must be used should not violate the needs of market economy development.

Reporter: *So it seems that the application of macroeconomic regulation and control still has principles that can be observed. Is that right?*

Wang Jue: In fact, a market economy per se implies macroeconomic regulation and control, with the two not being isolated or contradictory. The application of macroeconomic regulation and control is aimed at promoting market economy development, with intensified economic reform ensuring orderly, smooth, and sound market development. Moreover, the macroeconomic regulation and control needed in a market economy differs essentially from the regulation and control in our traditional planned system. Macroeconomic regulation and control in a market economy requires a market-based disposition of resources, with actions in line with market economy demands and growth trends, while macroeconomic regulation and control in a planned system undermines market economic development, for a direct disposition of public resources, which is incompatible with a market economy.

We must now prevent and guard against the reappearance of macroeconomic regulation and control in the old-system sense, so that we absolutely will not return to our old ways. We need to clarify that our application of macroeconomic regulation and control is aimed at developing a market economy better and faster.

We Must Master the "Proper Limits" Well

Reporter: *The center has repeatedly declared that the current tightening of macroeconomic regulation and control is not an overall tightening, but rather a structural adjustment, and not interference, but rather guidance and direction. How do you interpret this?*

Wang Jue: This involves how to analyze in detail the issues that arise along with progress. For a country in which two systems coexist, with the new one not yet having replaced the old, the problems that appear are bound to be a reflection of collision and conflict between the two systems, or of the role still played by the old system.

For instance, while we generally say that the "two inflations and three overheatings" are the major objectives of this tightening of macroeconomic regulation and control, the application of regulation and control

requires a detailed analysis of the factors in its occurrence, in order to suit the medicine to the illness.

While inflationary pressures certainly exist, we must not blanch at the very mention of the word "inflation." We must not take too abrupt or impatient steps, as the current inflation differs in the general interpretation from inflation under ordinary conditions. One half of our 12 percent growth rate is caused by price-reform factors, with price deregulation to gradually close up or merge to a single track dual-track prices for items, such as grain, coal, oil, and lumber, being a major reform advance, contributing to economic growth, conforming to the law of value, and being positive, so that the price rises it sets off are a proper price to be paid for reform. Our tightening of macroeconomic regulation and control should control currency issue and its resultant inflation, not prices per se, as prices are the result of a market economy itself bringing the law of value into full play, so should not be curbed artificially.

Taking another example, investment inflation (expansion) must also not be spoken of too generally. Investment subjects have diversified in recent years, with investment by township, collective, private, and foreign trade enterprises already making up more than 50 percent of overall investment, a considerable portion of which 50 percent conforms to market principles and industrial policy, is structurally rational, and has good efficiency, so should be encouraged to grow. Most of the so-called investment inflation refers to the other 50 percent that is state investment activity, which is government activity that is mostly planned investment. As local government competition and arbitrariness easily create duplicate and inefficient construction, macroeconomic regulation and control needs to cut back this part of the investment scale to restrict unchecked local government activity, instead of indiscriminately cutting back all ongoing projects. I hold that "strict examination and approval by planning commissions at all levels" per se is a planned-economy method that is certainly undesirable.

Furthermore, the generally held need to cool down the "three overheatings"—the development zone, real estate, and stock fevers—can even less so be adhered to rashly and blindly. What is a "fever?" Does it necessarily mean "overheating?" This needs a detailed analysis, as we certainly do not have too many development zones. We have too many phoney development zones that are undevelopable, certainly not too many development zones that can genuinely bring together domestic resources and attract foreign investment to create wealth and value. Such a "development zone fever" is simply an improper, distorted, and sham fever coming on the heels of government actions, not one created by market-economy development. The real estate market can promote construction-industry growth, bringing along that of related industries, particularly tertiary ones, which are in need of vigorous development. The so-called real estate fever refers simply to the attraction of too many people and too much cash input by the superprofits

created by monopolistic prices and excessive competition on the real estate market, but does not mean that our real estate market has grown to maturity or developed to saturation. Precisely the opposite, macroeconomic regulation and control needs to create a climate of equal competition for real estate market development, by using economic and legal means to break up monopoly prices, to ensure sound and better market development. Real estate market shrinkage, stoppage, or collapse is certainly adverse to market economy development. While banks per se putting money into real estate is wrong and should be stopped, this does not mean that banks cannot support real estate market development, as loans still need to be made. The "stock fever" is also due to too few listed stocks, with large numbers of state shares and qualified private shares not having market access, leaving supply not up to demand, and creating a one-sided stock market fever. This is precisely a reflection of our incomplete and fledgling stock market development.

It is thus obvious that the problems that have arisen in China's rapid economic growth are certainly not dreadful, neither needing to be regarded as great scourges needing overall cutbacks, nor requiring the adoption of too impatient, abrupt, or firm measures. The key is to master the "proper limits" well.

The Permanent Cure Will Come Through Intensified Reform.

Reporter: *More theorists also hold that this "tightening of macroeconomic regulation and control" is largely to pave the way for the next step of intensified reform, with the rectification of the financial order also aimed at preparing the conditions for financial reform. Do you endorse this view?*

Wang Jue: Yes. The current macroeconomic regulation and control measures are mostly stopgap ones, with a real resolution of existing problems still needing a permanent cure, as our problem in the final analysis is that our system is not suited to our economic development needs. As the faster our economy grows, the more our old system limitations become evident and, the faster our economy grows, the more fully the clashes between our old and new systems show up, intensified reform has become our imperative next step.

Financial-system reform is imminent, as money is the primary driving force in market development, and money markets are the basic ones in a market system, being the nerve center driving other market operations, and start-up and directional markets. During the last dozen years or so, financial reform has basically been in a state of stagnation, lagging severely behind economic reform. The appearance of a whole series of problems in areas, such as our real estate and stock markets, investment structure, and prices, are closely linked to our undeveloped money markets. So the central rectification of the financial order, putting the emphasis on financial

reform, is quite correct and timely. As our financial-reform objectives have been clearly set forth—to make the central bank independent, commercialize specialized banks, establish special policy banks, marketize interest rates, and develop a pluralized banking system (referring to joint-venture, foreign-invested, and private banks), our current mission is how to move ahead conscientiously, how to operate in particular.

Another reform priority is to mold key market players by upgrading large- and medium-sized state enterprises to give them market access and turn them into powerful market players, which will mean putting property rights relations in order, and reforming our state-property management system (including investment-system reform). It will be only by developing equity markets to promote property-rights liquidity that we will be able to realize a rational disposition of resources and find a way out for state enterprises.

Financial and property-rights reform look for support to the conversion of government functions. Government functions in the strict sense involve the two of public administration and macroeconomic regulation and control. The government macroeconomic regulation and control function refers to regulation and control of value, not of material use value; to overall regulation and control to maintain a balance between overall supply and demand, not of particular individuals; and to indirect regulation and control through industrial policy, economic policy, and economic leverage, not directly through planning and directives. In this way, the government gives up its past function of "property ownership" (property ownership as a part of production relations should not be regarded as a superstructure function), gives up its microeconomic management function, streamlines itself, cleans its house, and becomes "small government, large service," to genuinely achieve a functional conversion. With political reform matched to economic reform, our system can become suited to market economy development, to speed up the growth of our productive forces, which is the only way that we can essentially solve our economic development problems.

Professor Wang Jue also compared the relationship between shoes and feet to describe the relations between development and systems. Just as when shoes are too tight for the feet, they not only make it hard to walk, but also hurt the feet, at which time it is necessary to throw them out and put on a new pair that fit and are easy to walk in. Thus, a system that restricts economic development must be thoroughly reformed.

PROVINCIAL

GATT Impact on Fujian Economy, Trade Outlined

94CE0075A Beijing GUOJI MAOYI [INTERTRADE]
in Chinese 14 Sep 93 pp 44-46

[Article by GATT Task Force, Fujian Provincial Trade Institute: "The Effect of 'GATT Restoration' on Fujian Province's Foreign Economic Relations and Trade, and Remedies"]

[Text] GATT is the sole multilateral government agreement for the regulation of applicable tariff and trade policies in economic and trade relations among most countries of the world today. It plays the role of a global multilateral trade organization; thus, it is termed an "economic United Nations." China is actively working for restoration of its GATT status; however, "GATT restoration" will mean both foreign economic relations and trade opportunities and adversities for Fujian Province. Therefore we must consciously study problems and propose remedies for them.

1. Opportunities

GATT regulations provide that following restoration of its status, China shall enjoy the multilateral most favored nation treatment accorded all signatories. This will create a relatively stable climate for enterprises to compete as equals in the development of equal trade. Thus, GATT restoration will bring fine opportunities for the development of foreign economic relations and trade: 1) It will mean that the entire province will have a fine opportunity for the second doubling of GNP in 1993 and for a tripling of GNP by the end of the present century. 2) It will help accelerate industrial restructuring that will increase the quantity and quality of commodities for attainment of the goal of expanding exports. 3) It will help hasten the attraction of foreign investment and the importation of advanced foreign technology and management experience. 4) It will help use to the full the resources of both international and domestic markets for an improvement of economic returns. 5) It will help resolve disputes in international economic relations and trade.

2. Adverse Effects

GATT restoration will also have an adverse effect on the province's foreign economic relations and trade. Its impact on the import-export trade will be particularly great. We must understand this clearly and make full preparations for it.

A) Effect on Agricultural and Sideline Products

GATT restoration will help expand agricultural product exports. Exports of some agricultural products in which China enjoys an advantage such as prawns, eels, asparagus, oolong tea, edible fungi, fresh vegetables, and fruits will increase markedly.

Nevertheless, because of backward agricultural production, administration and management, widely scattered and small scale production, and the lack of coordination among production, processing, sales, and the import-export trade, China cannot stand up to modernized foreign agricultural enterprises in terms of quality and available grades of most agricultural products. Agricultural products and processed goods that will be hurt include sugar, tobacco, fruits, rice, dairy products and beef. Sugarcane, tobacco leaf, grain, and development of the livestock industry will also be adversely affected.

B) Effect on Light and Textile Industry Products

After a long period of fairly high-speed development, China's light and textile industries have become quite large. Following GATT restoration, the advantages that the paper industry, the food industry, the porcelain and pottery industry, the appliance industry, and the textile industry possess can be applied to expand exports. This will help diversify markets. The industries hurt most will be sugar refining, scents, spices, chemical fibers, textile machinery, imitation silk chemical fibers, and high quality printing and dyeing.

C) Effect on Machinery Products

Statistics for 1991 show the export of \$530 million worth of electromechanical products, a 23.25 percent increase over 1990. These exports included goods that earned a substantial amount of foreign exchange such as machinery and equipment, automobile spare parts, industrial bearings, and telecommunications equipment. GATT restoration will have little adverse effect on the machinery products mentioned above.

The high and new technology products that have just begun to be produced throughout the province, and the industries that produce them, will be severely challenged. Most severely affected will be motor vehicles, motorcycles, digitally controlled machine tools, telecommunications equipment, precision processing machinery and machine tools, and industrial control devices.

Duplicative firms and those whose economies of scale are low will be in serious trouble.

Machinery products that cannot compete in price or quality will be severely tested. Since the overall level of the province's machinery industry is not high, a substantial number of its machinery products will be unable to compete with the same products in international markets on either price or quality. Thus, some enterprises will be eliminated, and some will have to shift to other lines of production.

D) Effect on Electronics Products

Thanks to development and innovation, the electronics industry has developed swiftly to become the third largest industry in the province, and to take sixth place among local electronics industries nationwide.

In an overall sense, however, the electronics industry is still in its infancy. Following GATT restoration, four kinds of electronics products will be severely jolted: 1) High technology products whose level of production is fairly low, that are produced in relatively small quantities, that cannot keep abreast of the development of sophisticated technology, and that are currently at a production disadvantage. Such products include, computers, fax machines, video cameras, and copy machines. 2) High technology products whose development is just getting underway or that are preparing to get underway such as camcorders, compact disc players, 900 megahertz cellular radios, and programmable exchanges.

3) Products whose export competitiveness is currently rather poor, such as integrated circuits, telescopic antennas, and kinescopes. 4) Products showing rather poor development potential and that have not been serially produced such as electric refrigerators and digital instruments and meters.

E) Effect on Chemical Industry Products

Inasmuch as the foundation for chemical industry semi-finished products is weak, the product mix ill-conceived, the production scale small, the level of technology low, and the level of both equipment and management lags far behind that of foreign countries, the chemical fertilizer, phosphate fertilizer, agricultural pesticide, vehicle tire, and polyvinyl chloride industries will be hard hit by imports. They will find themselves in a fairly serious predicament. China has promised to protect intellectual property rights following GATT restitution. A use fee and a patent purchase fee will then have to be paid for the production or imitation of some chemical industry projects whose patents have been registered internationally since 1986. Thus, GATT restoration is bound to have an adverse effect on the province's manufacture of certain chemical industry products. Enterprises that depend on imitation to stay in business will be hurt.

The foregoing analysis shows three things: products requiring great investment and that have a high technological content will be harder hit than products requiring little investment and that have a high labor content; and budding new and high technology products will be harder hit than traditional export wares.

3. Remedies

China is hastening legislation and taking appropriate actions to deal with GATT restitution. Fujian Province should likewise make all preparations, quickly study a foreign economic relations and trade development strategy, formulate workable measures, open to the outside world in every direction, and accelerate the building of a socialist market economy to advance foreign economic relations and trade another step upward.

A) The province should establish with all possible speed a new macroeconomic control mechanism as part of its complete opening to the outside world and in response to the international climate.

1) Intensification of reform to build a new foreign economic relations and trade system. Economic relations and trade departments at all levels, and planning, industrial, taxation, industrial and commercial, financial, insurance, foreign exchange, customs, commodity, pricing, and foreign affairs departments should improve their service concepts to make foreign trade enterprises, and industrial trading enterprises truly market competitors that make their own operating decisions, and that are responsible for their own profits and losses, for their own development, and for their own limitations. In this

way, they can operate more like industries, form enterprise blocs, and become more internationalized and more diversified.

2) Quickening transformation of enterprises' internal operating mechanisms, using trade as a turnkey and industry and commerce as backing for the development of diversification. Foreign trade and industrial trade enterprises should make full use of their role as market competition entities who make their own operating decisions, are responsible for their own profits and losses, for their own development, and for limiting themselves as the enterprise law provides, the right to import and export being given them at the earliest possible moment and in accordance with regulations.

3) Foreign trade enterprises formation of enterprise blocs, pursuing a course of forming lateral links. Faced with the increasing development internationally of large trans-national enterprise blocs, separately managed small businessman and peddler style businesses are not only unable to fashion economies of scale but also will be even less able to meet international challenges following GATT restoration. Thus, they must imitate the Japanese, European and American industrial pattern, rating as industries, forming enterprise blocs, and becoming internationalized. Scattered enterprises must join together to form truly closely-knit enterprise blocs for the purpose of becoming larger and reducing investment risks.

4) Accelerated operation of Sino-foreign joint ventures to organize trans-national enterprises. After China's GATT status is restored, the whole province will have to intensify efforts to attract direct foreign trader investment. The operation of joint venture and contractual joint ventures based on national policies and principles can spur enterprises to open international markets, to improve product quality, and to develop new products, particularly high and new technology semi-manufactures that increase foreign sales, move more products into international markets, and increase market share.

5) County primary level foreign trade companies are an important force in the province's foreign trade. While further applying their role in supporting the production of exports goods and organizing the source of supply for exports, progress in transforming the operating mechanisms of foreign trade enterprises that deal outside the county should also be accelerated. Following approval, all trading companies dealing outside the county having requisite conditions should be given import-export business rights, and they should also be able to form lateral partnerships with foreign trade enterprises that cut across regional lines either for long-term cooperation or to join enterprise blocs.

B) Improvement of socialist market concepts, conducting an industrial and trade strategy for balanced development that links imports and exports, foreign trade and foreign economic relations.

1) Following GATT restitution, China's economy will be intertwined with the world economy; thus, domestic markets and international markets will be fused. The principles of market access and national treatment will have to be put into effect. Thus, pressures on China to import will increase. Faced with intense competition from both markets inside the province and international markets, we will have to be guided by the markets to develop and create the new products that international and domestic market consumers want and are accustomed to, while simultaneously working hard to increase the technology content and the added value of products to consolidate and expand market share.

The entire province will have to accelerate modernization, and move ahead with the development of an externally oriented economy. This is bound to require a strategy that goes from exports to imports, to the expansion of exports, to the expansion of imports. We will have to import large quantities of sophisticated technology and precision machinery, intermediate products, and raw and processed materials. We will have to encourage enterprises to phase in the production of premium products that meet international standards, to increase exports and expand imports, and to optimize the export product mix and promote technical progress in industry and agriculture. In the international division of labor, we can import raw and processed materials, and components of the best quality and lowest cost to produce exports, thereby making our exports more competitive internationally.

2) Development of a multiple markets strategy. On the one hand, we must use to the fullest the equal tariff treatment that signatory developing countries universally enjoy, assembling more medium and low quality products to enter the markets of surrounding and nearby countries for the gradual development of trade with African, Middle Eastern, Latin American, and Asian countries. On the other hand, we must use the unilateral general preference system and the preferential tariffs that developed signatory countries accord developing countries for further expansion of China's market share of medium and high quality goods in these countries and territories. We must be sure to make full use of flexible and diverse trading methods that are in keeping with local markets, moving ahead with all possible speed to diversify markets.

3) Emphasis on a market sales strategy. We must pay close attention to the building and amplification of international market sales networks, hurry to set up outlets and invest in the running of enterprises abroad, and establish and perfect export sales agencies. We must encourage and support applicable export producing enterprises to set up sales networks and after sales service agencies abroad, or to invest in the operation of contractual joint ventures. We must use the advantage that compatriots in Hong Kong, Macao, and Taiwan, as

well as overseas Chinese provide to establish sales networks. We must use an agent system to export products through numerous channels, numerous entry ports, and in many ways.

C) We must attract foreign investment in more fields and increase the scale of foreign investment.

1) We must orient toward the attraction of foreign investment, gradually eliminating various investment restrictions. We must emphasize the channeling of foreign investment for the building of communications infrastructure, concentrating efforts on improving tangible conditions for investment. The orientation of foreign investment should be on the development of large- and medium-sizes, technology-intensive high and new technology industries, which is a part of the province's long-term development goal. Close attention must be paid to getting foreign investment for the preparatory work needed for a chemical industry. Foreign investment in finance and banking, trade, real estate, and tourism should be encouraged in a controlled way; and foreign traders should be encouraged to invest in comprehensive agricultural development projects and some pilot projects.

2) As part of attracting foreign investment, traders should be permitted to contract by putting up capital, technology, or products, some markets getting a change of capital, technology, management, and returns. Export producing enterprises that are already fairly large and have the capability should use the importation of technology and technological transformation as a means to achieve economies of scale, to foster development capabilities, and to expand exports. By attracting foreign investment, they can use existing plant buildings, equipment, land, and personnel in combination with foreign investment to improve enterprises.

3) Attention to the importation of domestic and foreign intellect. The building of a domestic and international human resources bank and associated domestic and international human resources markets should be considered. A "fund for the importation of domestic and foreign intellect" might be set up for funding the importation of intellect. Deals might also be worked out with banks for the use of discounted loans to encourage enterprises to make efforts to bring in domestic and foreign intellect.

4) Improvement and perfection of services and administration for enterprises in which foreign traders invest. Laws, regulations, and means of applying laws must be formulated for administration. A good job must be done of providing services, of supplying raw and processed materials, water, electricity, communications, and transportation. Help must be given enterprises in improving their economic returns, enterprises organized to take part in factory exchange meetings, trade investment talks, trade fairs, and exhibitions to develop trade.

D) The economic relations and trade information consulting system must be improved to provide services for government policymaking and improvement of enterprises' returns.

After more than 10 years of effort, economic relations and trade information consulting services throughout the province have become an important new sector of the national economy. Nevertheless, considering that Fujian is a province that serves as a conduit and a "window" for both domestic and foreign firms, its economic relations and trade information consulting business is still at an incipient stage. Therefore, the whole province from top to bottom must reach a consensus on the earliest possible building of a networked economic relations and foreign trade information consulting system, and accelerate the building of such a system in practice.

The purpose of building a provincewide economic relations and trade information consulting system is to provide guidance and offer services. Macroeconomically, this means the entire province studying foreign economic relations and trade work in a dynamic way to provide high level decision making data for the provincial Economic Commission as well as the provincial CPC committee, and provincial government leaders. Microeconomically, this means providing effective information and consulting services for economic activity throughout the province.

E) Active promotion of trade cooperation and exchanges between Fujian province and Taiwan, Hong Kong, and Macao. Once China's GATT status has been restored, Fujian Province may fully use GATT provisions to improve its economic and trade relations with these territories. It can encourage compatriots and economic organizations in Hong Kong, Macao, and Taiwan to invest in Fujian, to develop trade and labor services, and to cooperate on financial matters, the strengths of each of the parties being applied, each of them helping each other for mutual benefit, for mutual advance, and for common development. Thus, they will be able to continue their economic prosperity and development for greater competitiveness in international markets. Hong Kong, Macao, and Taiwan have money, human talent, and a fine infrastructure. Fujian has plentiful resources, manpower, and scientific and technical projects. Better cooperation among the four can mean better allocation of resources. It can make the economy prosper more, develop the economy, and increase international market competitiveness. It can expand the whole province's market share in the world economy, and elevate Fujian province's standing.

F) Vigorous training of the human talent that development of foreign economic relations and trade requires.

Future competition means human resources competition. (1) Reform of the educational system must be intensified for the training of human talent through many channels at many levels. Close attention must be

given to the building of needed human talent, the emphasis going to vocational education and training. Close attention must be given to the training of mid-level and entry level personnel, fashioning a graduated structure for high level, mid-level, and entry level personnel. (2) Major efforts must be devoted to the training of personnel for an externally oriented economy to meet needs following restoration of China's GATT status. Particularly needed are resourceful and astute people in the fields of international trade, international finance, and international commercial law, foreign trade research experts, administrators and managers who have a modern outlook, economic and trade personnel who are thoroughly versed in international market conditions, skilled professional translators, and high level industrial designers. (3) Personnel concerned must be organized to go abroad for study. All possible must be done to attract people in society who have special expertise, vigorous actions taken to induce students studying abroad to return to China, and talent from abroad invited to come to China. (4) All avenues should be opened for people of talent, talented people selected and hired. People who understand both technology and economics and also speak a foreign language are needed; and all-around people who understand both industry and trade are also needed to meet the needs of new circumstances and future competition.

Symposium on Jiangsu Economic Situation

94CE0128A Nanjing XINHUA RIBAO in Chinese
24 Sep 93 p 6

[Article by Jin Jishu (6855 4949 2579): "Report on Symposium on 'Analysis of the Current Economic Situation in Jiangsu and Possible Countermeasures'"]

[Text] Recently, the Jiangsu Provincial Academy of Social Sciences conducted a symposium on "Analysis of the Current Economic Situation in Jiangsu and Possible Countermeasures;" among the more than 50 participants were specialists, responsible cadres of concerned provincial economic departments, members of provincial party committee and Standing Committee and Jiangsu Provincial Social Sciences Academy director Hu Fuming [5170 4395 2494], who also made an important speech. The main points of the symposium are summarized below:

Macroeconomic Regulations and Controls Achieved Initial Success but Economic Situation Remains Serious

The comrades participating in the symposium all agreed that the government's policy to strengthen macroeconomic controls was absolutely necessary and correct, and that measures adopted by Jiangsu Province to "control disorder" and "lower overheating" based on actual circumstances in the province have been forceful and effective, and these have produced positive changes in certain aspects of the economy. These changes are concretely manifested in the following: First, effort to restore order in the financial system achieved initial

success, and bank deposits have clearly increased. From 11 May to the end of August, provincial bank deposits by urban and rural residents reached 10.45 billion yuan, an increase of 8.22 billion yuan over the same period last year. Second, fixed asset investments have clearly decreased, cooling down the overheated real estate market and development zone activities. In July, fixed asset investments by all residents declined by 15 percentage points over the average investment rate of the January-June period. Third, the excessively high rate of industrial growth began to level off and decline. In July, the rate of industrial growth increased by 34.9 percent [over the same period last year], but representing a 15 percent drop from the month before. Fourth, prices of production materials have come down due to competitive buying and selling.

Shortage of capital remained the most serious contradiction, which can be seen in terms of the following:

1) The list of planned infrastructure constructions was too long which required an excessively large amount of fixed asset investments and added to the difficulties involved in any cutback and contraction. 2) Commodity prices continued to climb; compared to the same period last year, the provincial costs of living price index increased by 20.6 percent. 3) Turnaround in bank capital encountered difficulties; even after interest rates were raised twice, and bank deposits by residents were clearly on the upswing, deposits by enterprises were declining by a large margin, indicating the two trends were basically in conflict. 4) Serious shortage of capital for enterprise use, making it more difficult for turnaround of venture capital, and new triangular debts were again coming to the fore. 5) Large gaps in available capital for key infrastructure projects affected the on-time completion of a large number of such key projects. 6) Revenue receipts were increasing at a slow rate.

On how to deal with such new contradictions and new problems which appeared in Jiangsu's economy after macroeconomic regulations and controls were applied, on how to maximize the positive effects while minimizing the negatives ones, and on how to chart the future course of Jiangsu's economy, symposium participants put forth the following views: One point of view was that the macroeconomic controls applied today were very much different from the drastic measures of tightening the monetary supply in 1988, the main difference being that this time economic measures were taken and the macroeconomic control objective was to maintain an appropriate growth rate in the economy as a whole while focusing on structural readjustments. This approach will not lead to the phenomena of drastic drop in production and market immobility which resulted from regulatory measures taken in 1988.

Another point of view stated that in terms of the future course of Jiangsu's economy, a great deal will depend on the direction, timing and firmness in the application of macroeconomic regulations and controls. If the macroeconomic controls were too forceful and too long in

duration, they would not only affect normal production of enterprise but also the market itself, and would make it more difficult to prevent sharp up and down fluctuations. Therefore, the government should make sure that only appropriate macroeconomic controls are applied and maintained.

Readjust Our Thinking, Intensify Reform, and Channel Jiangsu's Economy Into Beneficial Cycle of Development

Symposium participants recognized that the contradictions and problems which surfaced in the economy since last year were mainly due to sluggishness in reforms, particularly inadequate reforms in the systems of macro financial management, revenue and taxation and investment. Therefore, the basic approach to solving such problems is to intensify reform.

A. Readjust our thinking toward economic activities.

One group of participants held the view that whether looking ahead to the future or at the present, readjusting our thinking toward dealing with Jiangsu's economy will require changing our focus in a timely manner in the following ways: 1) Changing our focus from development to reform. Henceforth, we should grasp reform with one hand, and development with the other, and we must be firm with both reform and development. 2) Changing our focus from production to the market. (C) Changing our focus from emphasis on quantitative increase to emphasis on qualitative improvement. (D) Changing our focus from emphasis on domestic development to emphasis on externally oriented opening and development.

Some participants expressed the opinion that while it was necessary to take appropriate measures to conquer the current difficulties and to get through the present crisis, these would not be enough if nothing more was done, for without additional steps, it would be hard to free ourselves from the vicious circle of "expansion-contraction." In dealing with the economy, we should firmly establish in our thinking the need to put into operation several beneficial economic cycles: First, a cycle of stable development; second, a cycle [for supplying] monetary and production capital; third, a cycle for reform and development; fourth, a cycle of quantitative increase with qualitative structural improvement; and fifth, a cycle for establishing production and the market.

B. Standardize financial system, enlarge channels for capital.

Symposium participants agreed that an orderly system of financial transactions has a direct effect on economic stability. Although adjustments in the financial system achieved some initial success, it cannot be overestimated, and continuous adjustments will be required. At the same time, we should give special emphasis to "blocking the extra-legal channels, and opening legitimate ones" to increase the quantity of available capital and to coordinate capital retention. We should forcefully

suppress or cancel unjustified construction projects, and continue to liquidate improper or illegal loans and various triangular debts. Financial departments must strictly obey the "three provisional regulations," and taking advantage of the current opportunity, step up the pace of reform. We should vigorously develop commercial banking, particularly the regionally oriented comprehensive development banks, in order to expand the available channels for capital in Jiangsu.

At the same time, we should give emphasis to developing the role of macroeconomic regulations of finance, to rationalizing the relationship between fiscal and monetary policies, and to strengthening the management of revenues and taxation. Some comrades suggested that in Jiangsu's revenues collection and taxation, we should grasp hold of three tasks: One, increase the vital linkage between the present urgency and the concept of struggle and sacrifice; second, strictly observe the "three provisional regulations" and severely regulate any abatement or reduction of taxes and reduce the red ink from revenue receipts; third, execute well the preparatory work leading to the upcoming new law on fiscal and taxation system reform.

C. Speed up nurturing and establishment of market mechanism to bring about growth and maturity of the market-oriented system.

Symposium participants agreed that market system adjustments implemented by Jiangsu Province in the past were effective. In particular, after the goal of establishing a socialist market economy was set, Jiangsu stepped up the pace of establishing a market-oriented system. But in recent years, in the fever of establishing a market economy, some deviation has developed equating the market with a particular place. A market is indeed situated in a certain place, but its importance lies in the operational relationship of exchanges; we should get away from the thinking of establishing market in the wrong place, i.e. in "a place without market [functions]," rather we should conceptually unify the establishment of a market at a visible location with the management of invisible market functions. Many comrades at the symposium felt that in establishing a market-oriented system, we should observe the market economic principles and standards, and that Jiangsu Province should especially focus on developing a financial market which includes promoting and establishing markets for debt securities and stocks of ownership in order to facilitate and serve regional economic development.

Shanghai Tries To Promote Economic Development

94CE0091A Beijing ZHONGGUO JINGJI TIZHI
GAIGE [CHINA'S ECONOMIC STRUCTURE
REFORM] in Chinese No 7, 23 Jul, No 8, 23 Aug 93

[Article by Chen Yani (7115 7161 1200) and Lu Bin (7120 2430): "Observations on Shanghai's Economic Development"]

[23 Jul 93 pp 28-31]

[Text] Heading Toward the Market: Shanghai Reshapes Its Economic Structure

As the focus of reform and opening up shifts to the Changjiang River valley, Shanghai's role is becoming increasingly important.

Can Shanghai, the "dragon head," truly establish its role as an international economic center?

Can Shanghai sustain its 10 percent annual growth rate in the 1990's?

Faced with the challenges of the times, Shanghai's decisionmakers are operating from a strategically advantageous position and are vigorously trying to optimize the industrial structure and locate Shanghai's dominant position.

To kill two birds with one stone, they are concentrating on developing the power, transportation, and communication industries and the industry that outfits them.

They have caused inputs into Shanghai's urban infrastructure to soar.

They are willing to "depart from the classics and rebel against orthodoxy"—take the unconventional approach—to give play to the government's macroeconomic regulation and control and consultation functions.

As the strategic focal point of the nation's reform and opening up, and as the "dragon head" of Changjiang's development and opening up, what should Shanghai base its future development on? Can it meet its objective of sustaining growth at an average rate of 10 percent without going through severe ups and downs in the 1990's and truly establish itself as an international economic hub? People in high places and low at home and many investors abroad are very interested in the answers.

Recently, the authors visited Shanghai Municipality's high-level leaders and contacted leaders and experts of Shanghai's decision-making and advisory departments, comprehensive economic departments, and economic research departments as well as factory directors and managers of large enterprises and came away with some impressions of the macroeconomic situation of Shanghai's development.

Most people agree that amid Shanghai's high-speed development in recent years, it is the nation's "bottle-neck" industries and industries that meet Shanghai's urbanization needs and export orientation that have been given priority in development. Shanghai's economic structure is constantly being optimized. Its accelerated economic growth has manifested itself as a healthy kind of development that is efficient, of high quality, and has staying power.

Four Areas of Accelerated Development

Due to the strategic readjustments under the Seventh Five-Year Plan and in the first two years of the Eighth Five-Year Plan and because of the concentration of input with well-defined industrial direction, Shanghai's economic growth in the last two years has reflected priority development and accelerated growth in four areas, and they are beginning to impact Shanghai's overall economic structure.

The power, transportation, and communication industries and the industry that outfits them have surged ahead: This not only focuses on the "bottleneck" and momentum problems in economic development to restore Shanghai's comprehensive urban functions, but it also targets the need to give priority to the development of basic industries like energy and transportation, gives play to Shanghai's installation industry, and nurtures new economic growth points and new industrial mainstay in Shanghai. According to Shanghai's economic management department, this is known as "killing two birds with one stone."

Once upon a time Shanghai was the third largest city in the world in terms of power generating capacity. It had electricity even before New York. But in the 114 years from 1872 to 1986, it had only accumulated 3 million kilowatts of installed capacity. Under the Seventh Five-Year Plan, with the state's support, Shanghai let the localities raise funds to build generators and completed the first and second phases of the Shidongkou project, thus completing in five years what once took more than 100 years. The installed capacity soared from 3 million kilowatts to 6 million kilowatts. Energy projects also spurred the development of the power station equipment manufacturing industry, which already has 2.5 million kilowatt manufacturing capacity, and by 1995, fully-equipped power stations will have 3.25 million kilowatt production capacity per year, and they will have production value of 15 billion yuan, thus becoming one of Shanghai's new mainstay industry. Currently, Shanghai's power generating equipment not only has captured a substantial percentage of the domestic market but also ranks in the international markets. Foreign and domestic orders are three to four times its productive capacity.

The number-one mainstay industry in Shanghai is the transportation equipment industry, led by automobile manufacturing but also includes the building of airplanes, ships, subway trains, and container cars. The number two mainstay industry is the electronic communications industry, led by program-controlled telephones but includes fiber optic telecommunication, facsimiles, and microelectronics. These are the strategic products of "killing two birds with one stone." In 1992, production of the two leading products increased at rates of 1.9 fold and 88 percent, respectively.

The tertiary industry shows accelerated growth: In 1992, more than 100,000 new businesses in the tertiary industry opened in the municipality, and that was twice

the number of new businesses in the primary and secondary industries. Market construction which is closely related to mass circulation had a good start; input-output ratio showed rapid improvement. In 1992, the tertiary industry contributed 34.8 billion yuan to added-value, which was an increase of 12 percent over the previous year at constant prices. Despite the secondary industry's high growth rate, the tertiary industry's share of the GNP still grew by 1.3 percentage points. It is expected that this year's increase will be even greater than last year's.

The "three kinds of wholly and partially foreign-owned" enterprises, characterized by their export orientation, and the development zones have become the economy's most energetic fresh troop. The "three kinds of wholly and partially foreign-owned" enterprises continue to grow at an amazing rate of 50-60 percent. Their sales and output values have increased to 14 percent of the municipality's. Pudong has been open for three years, its economic growth has exceeded the municipality's average rate by 6 percentage points; its sales as a percentage of output value has risen to 15.3 percent. The three old development zones of Minxing, Caohejing, and Hongqiao have become the "bulge" of economic development of the Puxi district.

Development of the high- and new-tech industries has embarked on a fast track. Prior to 1989, Shanghai's high- and new-tech development never could get out of the slow lane. Since the 1990's, Shanghai has made its high- and new-tech industries the strategic industries of future development and has given them special support, and that has produced clear results. In 1990, their total output value topped 3.2 billion yuan, up from 1.4 billion yuan in the previous year. In 1991 and 1992, they soared to 6.1 billion and 9 billion yuan, respectively; their average rate of increase was 80 percent a year.

Choosing the Three Strategic Focal Points

To optimize the industrial structure, the most important thing is to determine the industrial priority and define the regional functions. Shanghai went through a painful and confused process, but after repeated discussions and practice, it has gradually defined an important guiding ideology; that is, every region and every city must plant the foothold of its industrial direction on its own function within the overall macroeconomic framework. It must find out where its regional advantages lie and create an industrial pattern that complement other regions' superiority, so as to give play to its own role that none other can fulfill or match. Those in high places and low believe that a simple industrial center can never become an economic hub. It must first become a circulation center, especially a circulation center for capital goods. The article "Economic, Financial, and Trade Center" which was included in the 14th National Party Congress report found a very important place for Shanghai Municipality. Based on that, the Shanghai municipal party committee and municipal government, for the first time, clearly ranked the "tertiary, secondary, and primary" industries in that order. That basically

became the fundamental guiding ideology for its economic development strategy.

Shanghai had one fatal obstacle that prevented it from giving play to its function as a hub city: construction of its urban infrastructure was trailing far behind. Urbanization implies highly efficient resource allocation, and a norm of urbanization is that people must be able to reach anywhere in the city within half an hour. Therefore, to quickly and completely improve the city's energy supply, transportation, and communication capabilities and other infrastructures became the most important of the important undertakings.

Consequently, at the Eighth Shanghai Municipal People's Congress held last year, the municipal government further clarified the three strategic key points of Shanghai's economic development: construction of urban infrastructure, development of the tertiary industry, and industrialization of new and advanced technologies, in that order. Under the major premise of clearly setting priorities for various industries, Shanghai's investment direction was also adjusted and optimized. It began to shift the strategic focus to economic development, displaying the distinct characteristics of urbanization, upgrading, and external orientation.

Input in urban infrastructure soared: statistics show that during the entire Sixth Five-Year Plan period, Shanghai's investment in urban constructions averaged only 1.1 billion yuan a year. Under the Seventh Five-Year Plan, it averaged 3.556 billion yuan; under the Eighth Five-Year Plan, Shanghai began to change the practice of putting production before construction and put equal emphasis on production and construction instead. In 1991, investment in urban construction reached 6.138 billion yuan, and in 1992, it went up to 8.175 billion yuan. It is projected that investments will top more than 10 billion this year. These primarily are investments in urban roads, telecommunications, power, gas, and the environment. If we add the more than 3 billion yuan a year Shanghai spends on urban residential construction, total investment would account for more than one-third of the municipality's fixed asset investments.

Inputs in the tertiary industry exceeded that in the secondary industry: in 1992, investments in the tertiary industry, including commercial circulation, finance and insurance, and transport and telecommunications, came to 13.95 billion yuan, 55.3 percent more than in 1991, 30 percentage points more than the increase in the municipality's total investments, and 50.2 percentage points more than the increase in investment in the secondary industry for the same period. The share of investments in the tertiary industry rose from 40.9 percent in the previous year to 49.5 percent, an increase of 9 percentage points, and for the first time, it surpassed the share of investments in the secondary industry.

Tertiary industry's internal investments are leaning toward the equipment-type and highly export-oriented projects. The readjustment of the internal industrial

structure that began under the Seventh Five-Year Plan has become even more clear and concentrated under the Eighth Five-Year Plan. The new mainstay industries fall into seven major categories—transportation equipment, with automobiles as its lead product; electronic communication industry, with program-controlled telephones as its lead product; industry that produces complete sets of machinery and electronic equipment, led by power generating equipment; metallurgy industry; petrochemical industry; household electrical appliances industry; construction industry. Because of concentrated inputs into those industries in the last five years, they have developed into industries that rank first in the nation or even among the top three worldwide.

Traditional light and textile industries are taking advantage of the vacuum left behind by the replacement of old industries by new ones, and they will soon undergo radical transformation. Looking at the industry as a whole, part of it has moved toward high-grade, high added-value products by absorbing foreign capital and technologies; part of it has cut back on productive capacity and has shifted the factors of production to the tertiary industry. As for the enterprises, they have vigorously promoted the model used by companies in Shanghai's Chinese and Western medicine industry to "empty out" and shift production to the interior provinces while their headquarters in Shanghai concentrate on the "brain-work"—the early-stage products, technological development, and the late-stage marketing tasks.

Almost all of the new mainstay industries and the technological overhaul of some old enterprises have input and participation from large, internationally well-known companies and transnational companies, which make these industries technologically more advanced and more export-oriented.

Accomplishments of the Five Major Functions

In the process of changing the planned economy to the market economy track, the planning committees could be put in an awkward position, but when Shanghai optimizes its industrial structure, its planning committee still plays an important advisory as well as regulatory and control role.

Back in 1989, the Shanghai Municipal Planning Committee began to "depart from the classics and rebel against the orthodox" and shift entire industrial departments under its jurisdiction to the various economic functionary departments while retaining or creating eight bureaus and offices, including the industrial policy bureau, economic regulation bureau, long-term planning bureau, and the investment planning bureau. Although its own functions and authorities were "nominal," the municipal planning committee regarded itself the "general staff headquarters" that linked microeconomics with macroeconomics in a market economy and defined five major functions for itself: "Deliver major ideas, grasp major policy, manage major projects, focus on major balance, and build a major market." Major ideas

are the overall ideas and programs and blueprints for economic and social development. Major policy is the industrial policy. Major projects are those big projects that set the direction of Shanghai's development and projects of strategic significance. Major balance refers to balancing funds and key investments. Major market refers to the construction of the market for the three central factors of production and commodity trade. But the most important of all these functions is to do something big about optimizing the industrial structure.

To establish the guiding idea for Shanghai's economic development strategy and guarantee the success of Shanghai's industrial direction, the planning committee has established several support systems to help decision-making: One, since 1986, high-level conferences and informational meetings with experts have been held several times a year to provide ideas for the municipal government in making macroeconomic decisions. Two, they have set up a large, computerized investment project data bank to collect information on all projects relevant to Shanghai's economic and social development, and they have asked investment consulting companies and expert committees to conduct evaluation and selection and enter all information into the computers for use by the investment decisionmakers. Through such services, they can guide enterprises' investment behavior and provide the basis for recruiting businesses, set investment direction, and avoid reckless investments. Today, projects have already been scheduled well into the Ninth Five-Year Plan period, and it is estimated that total investment will top 200 billion yuan.

To strengthen its industrial guidance, besides giving full play to the planning committee's advisory role, the Shanghai municipal government also has set up a highly effective work system. For example, to implement the industrial structure guidelines and launch the key projects, each year, the Shanghai municipal economic committee focuses on 50 key projects that show scale efficiency and a dozen or so investment projects that are of strategic importance to the industrial structure, and it rotates management and tracks the results of these products and projects. To solve the technical problems of the key products and projects, the municipal economic committee and science committee have jointly formed a major project office to convene enterprises and scientific and research units to tackle the problems. To guarantee fund input into the key projects, besides strengthening the balanced transfer of funds, it has organized the Shanghai Investment and Trust Company, Shanghai Jiushi Company, Shanghai Aijian Company, Shanghai Lianhe Trading Company, and other local financial institutions to actively open up international fund gathering channels and provide effective financial backing for the key projects.

[23 Aug 93 pp 28-31]

[Text] Market-Oriented Reform Gives Rise to a Quality Economy

Perfect and lively market mechanisms are one of the necessary conditions for the healthy and rapid development of a region's economy. On that basis, Shanghai has stepped up market-oriented reform in recent years, striving to "set itself apart and take the lead." In addition, as a result of the readjustment of the industrial structure, Shanghai's economic indicators clearly are above the national average. Its industrial output to sales ratio tops more than 98 percent, 20 percentage points higher than the national average; its composite economic efficiency indicator is 115 percent, 18 percentage points higher than the national average; its fund circulation takes 40 days, compared to the nation's 90 days. Its fund and material supplies are ample compared to other provinces and municipalities.

A Fledgling Capital Goods Market

At one time, Shanghai was the nation's model economic planning region and was also one of the regions with the most strict economic plans. But as the nation's economically best-developed municipality and city with the largest economic scope, Shanghai also has the unique qualifications to become a capital goods circulation center. As an industrial base, Shanghai is where a high concentration of energy, materials, and products is consumed and produced. About 35 million tons of standard coal is consumed each year. As a port city, Shanghai's commodities circulation accounts for 12.9 percent of the nation's volume. As the nation's main financial activities center, Shanghai's Industrial and Commercial Bank accounts for one-third of the nation's banking business.

Comrades in relevant departments in Shanghai realize that on these bases, Shanghai's foremost problem is to create an objective environment to attract businesses despite the closed and ossified things from the era of economic planning still left in the commodities circulation system, the pricing system, and in policy management. This means they must let the invisible market develop further so as to increase commodity and fund circulation and substantially increase the total economic volume.

For this reason, the Shanghai municipal government has adopted three major policies: First, they have changed the old, safe approach of focusing only on balancing Shanghai area's own commodities supply and demand; instead, they have taken the lead in abolishing all documents and orders of prohibition that obstructed circulation, including the six main "mayoral orders" that limited the outflow of resources. Second, as much as possible, the government departments have gotten out of commodities planning and price control and have promoted market pricing instead. Currently, the number of goods and materials managed by government departments has been reduced to eight categories, compared to 500 in 1990. Third, they have devolved and simplified the examination and approval procedure. Except for four types of important commodities whose management must be approved by the commodities departments, business licenses will be issued upon examination

by the industry and commerce administrative department to check the applicants' management capacity. As far as the qualified enterprises are concerned, the municipal government's slogan is to give no consideration to their sizes, impose no restriction on the flow of goods and materials, make no distinction among the ownership systems, and reject no applicant.

Because of the above open-door policy, more than 4,000 enterprises from the provincial, municipal, and central government departments and committees have set up business in Shanghai. Among them, 80 percent also buy and sell capital goods, and spot transactions have become very active within a short period of time. Volume of commodity circulation has soared.

The first to set up business here on such basis was the Shanghai Metal Exchange. It was an instant success. Volume of exchange shot up and surpassed that of its forerunner, the Shenzhen Metal Exchange, by several folds. In six months' time, it became one of the three largest futures markets in the world. Today, besides the several dozen largest domestic producers and marketers of nonferrous metals who have joined the Exchange, more than 600 manufacturers at home and abroad have applied for a seat in the exchange. This demonstrates in full its authoritative role in the domestic metals market.

Shanghai's financial market, once nonexistent but now highly visible, went through a similar process. Since 1984, Shanghai has begun to offer bank acceptance, discounting, rediscounting, inter-bank daily-rate loans, short-term fund gathering and other financial services, and they have spread to big cities throughout the country. The development of Chinese and foreign financial institutions and nonbank financial institutions (trust, leasing, insurance, securities, and financial companies) in Shanghai has been phenomenal. By 1992, there were 1,120 such companies.

When the Shanghai Stock Exchange opened for business, the volume of trade was only 12.6 billion yuan for the year. In 1992, it reached 70 billion, and in the first quarter of 1993, it topped 108 billion yuan, one and one-half times the whole of last year's volume.

A breakdown of visible markets which have already opened for business and those still under construction shows 10 state-level markets and more than 60 regional markets. They are the nucleus of the entire market framework, and set off by the very active invisible markets, they give impetus to the development and growth of Shanghai's socialist market system.

The Market Allocates Resources and Regulates Production

Since the latter half of 1991, accompanying the rapid economic growth, Shanghai has surprised many by bringing an end to its chronic shortages of funds and raw materials. For two consecutive years it has done fairly well, and the supply situation has been better than that of the rest of the nation. Here, besides the additional funds

allocated by the central government under a special policy to aid the development of Pudong (about 4 billion yuan a year), to a large extent, the credit should go to the market mechanisms' regulations which make subjective balance, dynamic balance, and internal and external balance possible.

The marketization of the supply of resources has clearly increased. Shanghai owed its rapid economic growth last year to the strong fund input. The municipality's fixed asset input and actual supply of various circulation funds reached 65 billion yuan. Of which, around 30 billion yuan were part of a bank credit plan; another 30 billion yuan or so came primarily from various types of fund markets, including stocks, bonds, land leases, and absorption of foreign capital, and of this 30 billion yuan or so, half were from foreign sources. Because of increased market supply, credit pressure was greatly reduced, and Shanghai was able to keep its credit scope consistently within the planned scope despite the rapid economic growth. In fact, because of the active commodities market, enterprise production and sales ratio soared, enterprise and individual savings increased fairly rapidly, and deposits increased much faster than loans.

Resource utilization has become increasingly more efficient. To a large extent, shortages of resources are due to the dispersion of resources, failure to match production and demand, and irregular circulation. As soon as there is a commodities exchange market, especially where there is standardized exchange, all the stockpiled goods and materials will appear in the market. It greatly helps to tap potential. Meanwhile, based on market conditions, enterprises participating in the market can also exchange the imported goods and materials in the market. For instance, many Shanghai Metal Exchange members also participate in the London futures market. Because of ample supply, prices of electrolytic copper and other nonferrous metals have dropped below those in the international markets, even though the nation always had a shortage of those materials.

In addition, many raw materials production plants are setting market sales prices for their own products based on conditions in the commodities exchange and are regulating their production and sales plans based on demand information supplied by the exchange.

The regulatory mechanisms are lively. Because Shanghai has a complete set of different types of markets, enterprises can make use of all kinds of market information and take advantage of domestic and international resources to remedy the shortages of capital goods. For example, in the first six months of this year, the supply of construction steel materials was tight, and prices rose again and again. Many enterprises imported foreign billets after regulating their foreign exchange in the foreign exchange market. When the billets landed later in the year, the steel rolling plants rolled them according to market demands and product specifications, and the construction steel market eased and prices began to fall.

Deepen the Reform and Accelerate the Marketization of All Capital Goods

In the last two years, the marketization of funds has enjoyed preemptive advantage and the marketization of land, fixed assets (namely, the shareholding system and stock exchange), and raw materials has made significant breakthrough. Shanghai has just begun to benefit from the marketization process. But it is only just the beginning. The extent of marketization and the area it covers are still far from meeting Shanghai's needs as an economic, financial, and trading center. In particular, developments of the labor force, qualified personnel, technology, information, and property rights markets are clearly trailing. For this reason, Shanghai has set its reform direction to commercialize, monetize, and marketize all factors of production.

Specifically, Shanghai will build a large group of capital goods markets in seven major categories:

In the capital goods domain, they will build a group of raw materials markets and tax-sheltered capital goods markets with Shanghai as the principal marketing area and transfer station. The development of the futures market will be accelerated and will be expanded to cover all energy-type raw materials whose prices are relatively volatile.

In the financial market domain, the existing three major markets will be perfected, and at the same time, an off-shore financial market and a gold market will be set up, so that foreign-owned banks can operate RMB businesses among the nation's "three kinds of wholly and partially foreign-owned" enterprises and turn Shanghai into a fund gathering center and gold exchange center in the nation and even in the entire Far East.

In the qualified personnel market domain, by setting up a market for specialized technical personnel, market for management personnel, and a labor resource market, Shanghai can become a window for attracting overseas personnel and a center for exchanging home-grown talents. The emphasis is on promoting the marketization of labor force and expanding the market for different types of talents, and in particular, on creating a market for management personnel.

In the technology market domain, by setting up a large, modern technology market, Shanghai will become an information center for domestic and foreign advanced and new technologies and a center for transferring scientific and technological results to the production domain.

In the information market domain, a modern information network that links domestic and foreign markets will be set up, so as to turn Shanghai into the nation's most important business information storage, inquiry, and dissemination center.

In the real estate market, a large, modern housing and real estate market will be set up to raise Shanghai's real

estate purchase and replacement rates. Land leases should be coordinated with the compensated use of surface land and the privatization of housing, so that housing and real estate can become an important mainstay industry in Shanghai's urban development.

In the property rights market domain, a joint venture market for equity rights and a market for auctioning property rights will be explored. First, a group of small, state-run industrial and commercial enterprises will be auctioned off at home and abroad, and meanwhile, the pace of commercialization of business buildings and civilian housing will be accelerated to turn potential financial strength into real construction fund.

The construction of the market system and the process of the commercialization and marketization of all capital goods are not just a process of building hardware, but more importantly, they involve the changing of mechanisms. Therefore, centering on the marketization process, Shanghai will also put the emphasis on accelerating structural reforms in three areas:

1) Step up the reform of the social security system: the slow process of marketization of the labor force is due to the failure to coordinate the social security systems. Today, collective housing fund, unemployment insurance, and pension insurance are already set up in Shanghai, and medical and health insurance program is poised to be introduced. But currently, they are systems unto themselves and are separated by central versus local jurisdictions. Further reform should reference Singapore's experience, and stronger force should be applied to turn the separatist social security system into a comprehensive system.

2) Accelerate the reform of government organs: The general idea is to dissolve, recombine, or disperse and merge the existing economic management organs in accordance with the economic decision-making system, the mezzo regulation and control system, the state-owned property management system, the information and consultation system, and the economic supervision system. Specifically, the planning committee and comprehensive departments with mezzo regulation and control functions will be restructured to form a comprehensive national economic management committee which will be responsible for mezzo regulation and control. Instead of gathering economic statistics by individual departments, mathematical sampling of market economic statistics should be used and an information network should be created to share the information. Industrial administration is only nominal, but by managing the trade associations and other market intermediaries, enterprises in all trades can be managed indirectly. Domestic and foreign trade and the commodities departments should be integrated to become a large circulation system management department. The state-owned property management system should be relatively

independent to form a system consisting of the state-owned property management committee, the State-Owned Property Holding Company, and the State-Owned Property Management Company. By putting in and taking out shares in the state-owned properties, key elements of state-owned properties will be restructured to preserve or propagate their value. At the same time, a gradual transition will be made to create a system where the board chairman is appointed by the component departments and the state-owned property management committee, and the factory directors and plant managers are provided by the management personnel market.

Three, accelerate the reform of the circulation system: Today, significant progress has been made in the reform of the production, allocation, and consumption domains, but foreign exports, domestic wholesale, financial insurance and other circulation domains are still under direct state control. Most state-run enterprises in these sectors still have no vitality. This problem is particularly acute in Shanghai. How to further put an end to the high-degree of concentration of power and monopoly is considered the key to establishing the new socialist market economic system. It is also a recently identified reform key point and one of the difficult points Shanghai must overcome.

FINANCE, BANKING

Property Rights Issue Resolution 'Crucial'

94CE0096B Beijing JINRONG SHIBAO in Chinese
17 Oct 93 p 4

[Article by Xiao Jian (2556 0256): "Much Attention Needs To Be Paid to Financial Property Rights Reform"]

[Text] In late September, the third meeting of the "Financial Development Forum," jointly sponsored by the Financial Development Studies Institute, the Industrial and Commercial Bank of China's Beijing-branch Research Office, and the Theory Section of JINRONG SHIBAO, made its theme "Property-Rights System-Reform in Chinese Finance," inviting over 20 specialists and academics, such as the famous economists Yang Peixin [2799 1014 2450], Yu Tianyi [0205 1131 0001], and Zhong Mingrong [6988 2494 2837], to express their views. The participants conducted enthusiastic explorations and exchanges, setting forth many quite-insightful viewpoints.

The scholars generally held that: In our financial system-reform up to now, property-rights system-reform has become a very crucial issue in extremely urgent need of conscientious resolution. All of the many deeper financial-reform problems that we now need to solve involve our not yet having resolved well the property-rights issue. As our state banks and financial institutions are widely subject to combined ownership and operation, unknown asset liabilities and rights, and unclear property-rights limits, they not only are unable to form into

microeconomic entities with inherent vitality and self-restraint capabilities, but also are hard for the central bank to exercise standard and effective macroeconomic regulation and control over, leaving it with an overdependence on planning and administrative means. As to financial property-rights system-reform, we must proceed from the perspective of socialist market economy development needs, to take a deeper and longer view with a sense of urgency.

Many of the academics pointed out that: Property-rights system-reform is essentially ownership-system reform, including the two major areas of ownership structure, and exploration of the various forms in which public ownership is realized. Since reform and opening, China's financial property-rights system has undergone many changes, with the ownership structure having moved from a unitary to a plural one, the form of realization of public ownership having changed from the basic state-owned state-run situation, and experiments in shareholding systems, cooperative systems, collectives, and all sorts of contract-responsibility systems having reached a certain scale. These changes in our financial property-rights system have played an active role in the formation of a financial system suited to our socialist market economy, as well as providing valuable experience for pushing further ahead with financial property-rights system-reform. But as far as our overall financial system, property-rights system-reform has not yet made breakthrough advances. Property-rights system-reform of financial institutions, such as state-owned and -operated banks and insurance companies in particular, is still awaiting further difficult explorations based on a correct analysis and evaluation of the lessons we have learned from experience.

Some speakers noted that: We need to accurately understand and grasp the implications and extensions of financial property rights. As financial-institution property rights refer to capital funds, we must not list all assets formed through the utilization of funds by financial institutions in their intermediary function as having property rights implications. Of course, the utilization and operation of financial assets by financial institutions also involve various property-rights dealings and relations with enterprises and clients. So from a certain economic-system perspective, there is also an issue of the clarity and order of property-rights relations. In financial property-rights system-reform, these two categories both contain many issues that need resolved. So distinguishing these two categories [implications and extensions] will help us to grasp the various areas, levels, and inherent logical relations in property-rights system-reform, in order to correctly analyze these issues and set forth feasible countermeasures.

In the course of discussing the property-rights form for state commercial banks and financial institutions, many of the experts and scholars held that: We ought to widely adopt the shareholding enterprise property-rights system. The holdings structure should include the dominant status of state shares, as well as the proper mix of

corporate and individual shares. Some academics suggested that: Corporate shares could make up 20-30 percent, and individual ones 5-10 percent. The state should not participate in operation, but should use the holding-company form to separate ultimate ownership from corporate ownership, as well as enhancing examination and oversight of operating activities. Other scholars emphasized that unless property rights are personified, the shareholding system might become a wasted form, meaning that the state needs to perfect its laws and regulations to equally and without discrimination ensure state, corporate, and individual stock rights and interests. Many speakers paid great attention to exploring ways to solve the current problem of the huge amount of bad (dead) assets of state specialized banks, as not settling this matter of fictitious assets will severely obstruct the conversion of specialized banks to a commercial-bank track. They noted that: We need to emphasize and explore methods and specific forms of turning creditor rights into stock rights (holdings). This will shift more asset reserves into the shareholding system, achieving the multiple results of converting assets form, rationally deploying production essentials, contributing to currency stability, and helping to convert enterprise mechanisms.

The experts and scholars were unanimous that: Pushing forward with financial property-rights system reform is going to be an extremely difficult systems project. In addition, the delay in enterprise property-rights system-reform means that this reform cannot be carried out with undue haste. We will need to strive to pave the way, by proceeding actively but cautiously. As conditions permit, we will need to lose no time in doing well the reform work that now needs done. For instance, while reforms, such as speeding up the transition from quota-controlled assets-liability control to balance-sheet management, managing policy and commercial services on separate accounts, and diversifying bank assets, do not involve property-rights system-reform directly, they are all consistent with our property-rights system-reform orientation, so will pave the way nicely for accelerated property-rights system-reform on a deeper level.

FOREIGN TRADE, INVESTMENT

MOFTEC Official on Changes in Trade System

94CE0069A Beijing GUOJI MAOYI WENTI
[INTERNATIONAL TRADE JOURNAL] in Chinese
No 129, 30 Sept 93 pp 2-4

[Article by Liu Xiangdong (0491 0686 2639), deputy minister of the Ministry of Foreign Trade and Economic Cooperation: "Reform of China's Foreign Trade System"]

[Text] China's foreign trade system was built on a foundation of a commodity economy and unitary type of planned economy, in a situation of economic sanctions

by imperialist powers. During these years of reform, there have been some obvious changes in China's foreign trade regime:

One, the highly concentrated operational situation has changed completely, forming different types of export-oriented enterprise operations through multiple channels. China's foreign trade ports were originally in just a few coastal cities such as Guangzhou, Shanghai, Qingdao, Tianjin, and Dalian. Just over ten general foreign trade corporations directly attached to the state foreign trade administration department and some branch corporations had the authority to conclude foreign trade transactions. By 1992, the nation had opened over 170 foreign trade ports including sea, land and air types, nearly 4,000 foreign trade enterprises had the authority to conclude transactions, over 1,300 production enterprises had self-operating authority in foreign trade, over 90,000 enterprises with foreign investment had foreign trade self-operating authority, and most recently, 100 scientific research institutions received self-operating authority in foreign trade. Only a small portion of those important goods which affect the state's plan and the people's livelihood are under the unified operation of state-appointed corporations or joint transactions, and of these goods, 16 varieties are export goods and 14 are for import. There are no national limitations on those import and export goods which are unified operations, and enterprises will determine their cooperative partners based on the quality, size, and value of goods.

Two, the scope of planned management has been scaled down considerably, as the function of market regularization has increased. Prior to opening to the outside, there was a directive plan for all goods involved in foreign trade, with about 3,000 varieties listed in the plan. Later on, this was changed to a directive plan, a guiding plan, and a combination of the two, cancelling the state's plan for purchase, allocation, and transfer of export goods. There was also a cutoff on the variety of export goods for which there were planned quotas at 38, and a cutoff of the planned quotas for import goods at 11 varieties, most especially important goods that could affect the state plan and the people's livelihood. The plan for imported and exported goods exists chiefly to guarantee the basic needs of the people's livelihood and production in China. The purchase price for export goods is determined basically by the market situation, through negotiations between purchaser and seller; 95 percent of import goods are sold at market price, and about 5 percent at a price set by the State, and the latter are chiefly goods essential to the people's livelihood such as grains and chemical fertilizer used on grains production, with the price difference subsidized by the state. Of foreign exchange earned from export, 80 percent can go directly into the regulated foreign exchange market, while encouraging crosswise circulation for the remaining foreign exchange. The regulated price basically floats according to the supply and demand relationship in the market.

At the same time, there was a constant weakening of direct executive intervention in the export-import trade.

The detailed replacement list for imports was abolished, and invitations for bids were put out internationally for some complete package projects. In addition, permission was granted to reduce the types of goods which require import licenses and quotas. Product examination, hygienic examination, and animal and plant examination are all approaching the principles set by GATT, conducting the same examination standards or examination standards which conform to contracts for domestic and international products.

Three, state financial subsidies to exports have been eliminated, with enterprises operating according to international circulation methods, and self-responsibility for profit and loss. China had been subsidizing primary products to a small degree, with the amount of subsidization in 1987 being 4 percent of the total export volume. When implementing contractual responsibility for foreign trade operations, the amount of subsidization was frozen on the base of the 1987 amount. In 1991, the state abolished fiscal subsidies for exports, and enterprises assumed responsibility for losses and profits. In international markets, we will assume responsibility corresponding to the economic development level in China in accordance with the relevant provisions of GATT.

Four, such economic measures as customs and the foreign exchange rate have gradually become macroeconomic means for regulating exports and imports. Since 1991, China has made positive reductions in the customs duty rate for 265 varieties of import-export commodities. On 1 April 1992, China abolished the regulating duty on imported goods. The foreign exchange regulation market is playing its role now, and in 1991, more than \$20 billion went into the foreign exchange regulation market. In 1992, this figure rose to \$23 billion, which was more than half of the foreign exchange earned from foreign trade. The establishment and development of a foreign exchange regulation market furnished important conditions and experience for rationalizing the exchange rate between the yuan and foreign exchange in China, in addition to playing its regulating function. Moreover, we should further perfect our credit and tax policies, absorbing the experiences of many other nations, settling export credit, perfecting and regulating the export tax refund system, and maximizing the macroeconomic regulation function of economic measures.

Five, there has been increased transparency of export and import management and unification between national foreign trade policy and management. Over 500 economic laws concerning foreign affairs were formulated and issued by the National People's Congress and its standing committee, the State Council, and many executive regulations were issued by relevant departments and localities. Abolished were 176 restricted documents issued in the past, and 47 existing public pronouncements were continued. Products which required licensing management and license application procedures were published in the newspapers.

Reform of the foreign trade system has promoted development of foreign trade. First, the pace of foreign trade development is faster than before reform. In 1992, export and import trade volume reached \$165.6 billion, and among this, \$85 billion was in exports and \$80.6 billion was in imports. From 1979 to 1992, the annual rates of increase for gross foreign exports and imports were 16.8 percent and 15.4 percent respectively. Second, the export goods mix is being perfected constantly. In 1978, exports of finished products made up 56 percent of all exports, and by 1992, it had increased to 79.9 percent. A lot of products which were import items in the past have now become major export items. Third, there has been fundamental improvement in the balance between export and import trade. At the end of 1978, China's foreign exchange reserve was only \$167 million, while by the end of 1992, it was up to about \$20 billion.

The objective of China's foreign trade system reform is to establish a foreign trade administrative system which is not only appropriate to China's socialist market economy but will also conform to international trade regulations. After more than a decade of reform, the export administrative system has been in conformance with international trade regulations. In order to perfect it further in the future, the emphasis of reform will be put on the import administrative system.

The import administrative system is in a state of formulation and trial. Combining ideas from all aspects, there are some common ideas basically. In general, the idea is to shift from an emphasis on direct intervention through executive measures to indirect adjustment and control through economic, legal, and policy means, and those executive measures which are essential. Administrative organs should put more energy on macro administration. Make more use of government departments' macroscopic administrative functions, such as planning, directing, coordination, supervision and services. We should make necessary administration more systematic, scientific, and regular.

1. Standardize management of imported goods in accordance with common international methods. According to international trade regulations and the realities of China's situation, we plan to simplify administrative means into three types: Implement import quota administration for those items which are essential to people's livelihood and modernization, staples and resource type items relevant to the state's plan and people's livelihood; implement import licensing administration for those young industrial products which need protection; implement an examination and approval system in those cases where there is a large domestic production capacity, and uncontrolled imports might cause serious damage. The varieties of controlled goods should be limited within the smallest scope possible. Imports of other goods rely chiefly on regulation of customs duties. There will be a national ban on importing products which will endanger the nation's security and the physical and mental health of its citizens.

2. Reform the operational system for imported goods. Except for a small number of extremely important products which are the specialties of relevant companies, other imported goods can in principle be operated freely, and can be imported by those units which have the foreign exchange or through trust companies which are authorized for such operations. To facilitate management, there will be quotas, licensing, and examination and approval of products. Provinces, autonomous regions, and municipalities will recommend and enter into the records those foreign trade enterprises with a past record of operational achievements or the ability to so operate.

3. Implement protection for relevant industries according to the relevant provisions of GATT. In addition to implement the necessary administrative protective measures in accordance with common international methods, we will implement safeguards by citing the "exception provisions" of GATT. When imports increase rapidly, relevant domestic enterprises can be seriously damaged or seriously endangered. Therefore, administrative departments of the nation's foreign economic trade system will investigate and take the steps necessary to limit imports. When an imported product is dumped in China at a price lower than its cost, or is subsidized in order to dominate China's markets, it can greatly damage that product's industry; in these instances, the administrative departments of the nation's foreign economic trade will conduct an investigation, and collect an anti-dumping tax on this imported product in order to weaken or eliminate this sort of damage or danger. When rapidly increasing imports bring about an imbalance in China's foreign exchange, the administrative departments of the nation's foreign economic trade will take steps to reduce imports or halt them temporarily. Relevant international organizations will be informed of these measures in advance or as soon as possible after implementation.

4. There will be gradual elimination of state financial subsidies for some imported goods, creating the conditions for equal competition between international and domestic products. As consumers become increasingly responsible, the state will gradually cancel subsidies on these imported goods in accordance with international trade regulations, implementing trust imports or self-operating imports, with customers assuming responsibility for losses and profits.

5. In keeping with GATT requirements for developing nations, we will progressively lower the overall level of import customs duties, letting these duties become the principle means of regulating import trade. On a basis of reducing customs duties within two years, on 31 December 1992, China positively lowered the customs duty rates on 3,371 tax items for imports, which constituted 53.6 percent of the total tax items in our customs export and import taxes, and which was a 7.3 percent reduction in the overall level of customs duties. As part of the development of substantive negotiations for renewing China's status in GATT, the general customs

duty level will be lowered to less than 15 percent. At the same time, we will regulate and strictly implement a tax reduction and deduction system and accelerate reform of the currency exchange rate system, implementing a single floating currency exchange rate system as soon as possible. The currency exchange rate reform should be favorable to both export development and appropriate increases in imports, and be favorable to promoting direct investment by foreign traders and increase non-trade foreign exchange income.

6. Unify policies, strengthening the transparency of foreign trade administration. From now on, with the exception of business secrets, all laws and regulations, all policies of the foreign trade administrative system, will be published by the National People's Congress, the State Council and the Ministry of Foreign Trade and Economic Cooperation.

GATS Expected To Have Impact on Labor Exports

94CE0093A Beijing GUOJI SHANGBAO in Chinese
9 Oct 93 p 3

[Article by Li Rongmin (2621 2837 3046): "The General Agreement on Trade of Services and Contracting of Foreign Labor Services"—the author is a cadre in MOF-ERT's Cooperation Department]

[Text] I. Putting Service Trade on the Agenda in the Uruguay Round Is the Inevitable Result of International Trade Development

The widespread use of modern science and technologies in the 1980's has resulted in the rapid growth of service trade. Statistics show that world service trade rose from \$71 billion in 1970 to \$542 billion in 1987, and in 1992, it exceeded \$900 billion, which equaled to one-quarter of the world trade in goods.

In service trade, the developed Western nations primarily export high-tech and capital-intensive services. They account for more than 80 percent of the world's service export trade volume and enjoy a clear advantage. The developing nations primarily export labor-intensive services and are at a disadvantage. There is a wide gap between the developed and the developing nations in terms of comparative advantages. But further attempts to open up the service trade markets will involve transnational banks, communications projects, and air transportation and other sensitive areas that directly affect the importing nations' sovereignty and national security, and in addition, the importing nations have strict protectionist measures to protect their own burgeoning industries; therefore, service trade development will be constrained to some extent.

For more than 40 years, through seven rounds of multilateral trade negotiations, GATT has promoted the liberalization of product trade to a great extent, but there has never been any principle or regulation applicable to service trade. As the world's largest exporter of services, the United States has long wanted to take advantage of its position to further open up other nations' service trade markets, eliminate all trade barriers, and liberalize

the service trade. It brought up the issue way back in the Tokyo Round of multilateral trade negotiations and has since actively advocated service trade negotiations. Under the United States' advocacy and promotion, the issue was put in the ministers' work plan in 1982 in preparation for the minister-level meeting of the GATT signatory nations. In 1986, service trade was put on the agenda as a separate item in the Uruguay round. Despite the deep conflicts of interest and the heated disputes over various related issues which made the negotiations very tough, and finally, after more than four years of hard bargaining, the "Multilateral Framework Agreement on Service Trade (Draft)" was drawn up at the minister-level meeting in Brussels at the end of 1990, and at the end of February, the "General Agreement on Trade of Services" was introduced.

GATS contains six sections, 35 articles, and five appendices. The articles include those on most favored nations, transparency, increased participation by the developing nations, market admission, national treatment, and resolution of disputes. Service trade involves transnational provision of services, transnational movement of consumers, transnational circulation of factors of production, and exchange of other elements. Based on materials submitted by various GATT member nations, there are more than 150 types of service trade covering a broad area. To qualify as a founding member and promote China's own service trade development, we have agreed in principle to join GATS. Today, six service sectors—shipping, professional services, banking, advertisement, tourism, off-shore oil exploration—have submitted price lists in making initial commitments and will gradually open up the markets in accordance with China's own conditions and service trade characteristics.

II. China's Foreign Service Contracting Practices

A. Management Scope and Efficiency

In the last 14 years, China started the foreign service contracting industry from scratch and watched it develop very rapidly into a large industry. Up to the end of June 1993, China has signed 40,031 foreign labor and service contracts with more than 160 nations and regions around the world. They are worth a total of \$28.5 billion, generating \$16.7 billion in business, and a total of 650,000 trips have been taken by workers working overseas. Currently, 160,000 people are working abroad. Foreign labor contracts cover a wide area, from construction to metallurgy, transportation, water conservancy, power, telecommunications, machinery, petroleum, broadcasting, ocean fishing, geological exploration, coal, forestry, light and textile industries and even electronics, aerospace, and nuclear and other state-of-the-art industries. They are forming an all-encompassing, multiple-industry, multi-level trade pattern.

Today, more than 300 enterprises have been granted foreign labor contract management rights. Except for the international economic and technological cooperation

companies which specialize in foreign labor contract management, a succession of large specialized corporations, large production enterprises, and Class-A design departments have been given foreign management rights; they provide different types of foreign labor contract services. In the last year in particular, ever since some specialized Class-A design colleges (institutions) of different types were given foreign design, consultation, exploration, and monitoring management rights, China's foreign service contracting industry has become even more advanced and efficient. In the process of transforming themselves from companies that serve merely as windows into management-type companies, the international [economic and technological cooperation] companies which are the main force in foreign service contract management have worked hard to create conditions to make themselves more industry-oriented, group-oriented, and internationally oriented, increasing their ability to compete and adapt. One after another, the China Construction Engineering Corporation, Metallurgical Construction Corporation, Road and Bridge Engineering Corporation, and Water and Electric Company are now ranking among the world's 250 largest international contracting companies.

B. Major Trade Obstacles

No doubt China's foreign service contracting trade has grown steadily in the last 14 years and has produced gratifying results. But compared to the more than 20 million temporary, mobile workers internationally and the contract volume of the 250 largest contracting companies worldwide, China's foreign management share is only about 1 percent of the international labor contracting market. The main reasons are:

1. Foreign obstacles:

The contracting of international labor has shrunk in recent years. The number of international projects opening for bids has declined steadily since 1981. There are insurmountable service trade barriers, and competition among international contracting companies has grown increasingly intense. Specifically, (a) trade protectionism is widespread, and the importing nations are withholding entry privileges to foreign service providers. For example, the Middle East nations set labor permit quotas, control the number of entry visas, and limit the length of stay. (b) Demands are harsh and foreign services brought into a nation's market are not given national treatment. Foreign exchange control, tax burden, remittance of profit abroad, payment for projects, and worker treatment are among the more serious problems. (c) High standards and stiff conditions are imposed on the contractors. For example, IMF and World Bank projects must abide by British or United States standards. Some countries would only accept professionals certified in Britain or a handful of other developed nations. Pan-America Bank loan projects are open for bid only to enterprises in the bank-group's own member nations, and there are also technological requirements and so on.

2. Domestic obstacles

China's inherent obstacles also greatly limit further developments in its foreign labor contracting business. Primarily, China's management and administrative mechanisms are backward. Because of its age-old economic system, China's foreign labor contract laws and regulations are unsound. Regulations pertaining to the examination and approval of workers going abroad, foreign exchange control, overseas fund gathering, engineering design and consultation standards and so on are not geared to competition; the reform of enterprises' personnel and wage systems is still at the exploratory stage; there is still no true management autonomy and no mechanism of incentive. In addition, capital, qualified personnel, and information are lacking. Enterprises are dependent on their own limited sum of capital and cannot really fund the contracts. There is a shortage of foreign-oriented personnel with technical training who can also speak a foreign language. The overall quality of the people being sent abroad is poor. There are few foreign outlets; little attention is paid to market studies, and source of information is limited.

III. GATS's Effect on China's Foreign Labor Contracting Industry

From the development point of view, joining GATS will play a very important role in letting China participate in the greater international economic cycle, utilize foreign and domestic resources and foreign and domestic markets, and participate in international economic and trade affairs to the greatest extent and in helping to accelerate the progress in contracting foreign engineering and labor cooperation projects. With respect to the importing of foreign services, we can take advantage of the exporting nations' superior engineering consulting and contracting ability and our own rich supply of human and natural resources and technological superiority in certain fields to gain some comparative advantages. The import of foreign services will be accompanied by an influx of capital, advanced technologies, high-level enterprise personnel, which will allow us to supplement our own shortcoming with other people's strong points and elevate our engineering contracting and consultation industry to a higher grade and higher standards. With respect to the export of our services, although China's service industry has no clear competitive edge, after more than 40 years of economic construction, especially since reform and opening up, we nevertheless have attained the world's advanced standards in some areas. We have more than 10 million scientists and engineers; we have more professionals than anybody else except for the former Soviet Union; and we have a comparative advantage in the labor-intensive type service industry.

However, in the short-run, GATS may not provide this country with more labor export opportunities, because the opening up of the service trade markets touches on the interests of other nations, and if an importing nation wants to protect its own labor market, it can take advantage of the versatile nature of the GATS and

invoke its privilege to withhold certain sectors from the agreement when drawing up the contract schedule (applying for an exemption) or limit the extent and the scope of opening up of its market in the initial commitment. On the other hand, while we enjoy the rights and privileges bestowed by other signatories, we must live up to the corresponding obligation of opening up our market. Specifically, we must also gradually open up the engineering and consultation industry.

IV. Several Policy Considerations

1. Conduct thorough studies and open up in steps:

Joining the GATS does not mean opening up the entire service industry overnight. But service trade negotiations will inevitably impact every domain of the service industry. To seize the opportunity and participate in the negotiations of specific commitments with confidence, the government departments in charge should actively recruit people to conduct detailed investigations and studies and make diligent analyses of the state of China's engineering consultation, contracting, and other service sectors and developments in other nations, so as to facilitate the formulation of appropriate strategies. China's existing regulation which prohibits Sino-foreign joint ventures, cooperative joint ventures, and wholly foreign-owned enterprises operating in China from contracting foreign labor services protects our many foreign contracting companies and our national interests at this stage when China foreign labor contracting industry is still a fledgling industry and so long as the foreign management and administration of our enterprises as a whole is showing no clear advantage. In the short-run, to facilitate the GATS negotiations, we should reasonably open up our market and allow a limited number of foreign contractors to contract construction work and engineering consultation work and bring in their foreign capital, technologies, management, and personnel, and by competing with foreign contractors, we can bring in the competitive mechanisms to help modernize and internationalize China's construction contracting business. As for allowing foreign-invested enterprises and labor intermediaries to set up offices in China and engage in foreign labor contracting business, we must study the matter carefully, weigh the pros and cons, and proceed with caution.

Decontrolling the engineering consultation and contracting business should also abide by the principles of safeguarding the country's sovereignty and safety, meeting the needs of the country's own economic development, and securing mutual and reciprocated benefits. Today, because our status in and the profit generated by service trade cannot in any way measure up to that of the developed nations, the service trade liberalization negotiations will be a gradual, long-term process. We must do a good job preparing ourselves in thoughts and in deed. As for our specific commitment to market admission and national treatment, we should actively and effectively make use of the privileges granted by the GATS

and the preferential treatments extended to the development nations when we draw up the schedule of obligations and seek reasonable exemptions. Meanwhile, we should use the opening of our market to foreign services as condition in demanding the developed nations open their labor-intensive-type service markets to us.

2. Begin the legislative process promptly and seize the initiative:

After opening the service trade market, to resolve the issues of managing the import of foreign services and the export of our own services and determining the extent of reciprocated import and export of the same services to and from this and in other countries and so on, it is crucial that we perfect the legislative system, and so far, China has no complete and unified set of laws and regulations relevant to the service industry.

Since reform and opening up, we have brought many foreign experts to China each year through various channels. Today, about 30,000 foreign experts come to China each year to work in the technologies and management fields. This in fact is an import of foreign services. As more foreign businesses invest in China and set up enterprises, it has spurred the import of a group of people with management and production skills. And Russian ladies and foreign students working in certain service trades are frequent occurrences. Many nations have "Immigration Laws" to control the situation, but China has yet to set up a unified legal system, and different departments still make their own rules. With regard to labor export, besides the methods used in foreign labor cooperations, the workers can go abroad and seek help from friends and relatives or try to find work on their own. Although this latter approach is not included in the above-described foreign labor cooperation management scope, it is in fact a form of labor export, and it will inevitably continue to grow as we open up even more. How to provide proper guidance and strengthen control are among the problems to be dealt with. Foreign-related labor activities within our own borders such as providing services to foreign organizations located in China, contracting foreign-funded projects in China, and providing other labor services for foreign nations inside our own borders are also on the increase. Currently, although there are some departmental regulations, management is slack. Moreover, after more than 10 years, and despite the strong management base, China's engineering consultation industry still has no work rule to abide by, and today, the problem is even more striking as we turn to the international markets. It is obvious that Chinese laws pertaining to the service trade is seriously behind the times, and faced with the development of world service trade, we cannot wait until problems develop before we begin the legislative process. We must think ahead, consider the current condition of China's service industry and the needs of foreign service trade development, and let the relevant state authorities make vigorous efforts to coordinate the different areas and put strengthening the law on the

agenda and embark on the legislative track as soon as possible, so that we can compete internationally.

3. Deepen the reform, make use of what is beneficial, and remove what is harmful:

One, the government departments must take on new functions, and while strengthening macroeconomic regulation and control, we must simplify the application and approval procedure and give enterprises greater management autonomy. In particular, the government must make things easier for enterprises with regard to workers traveling abroad, foreign exchange utilization, and gathering capital overseas. Administration and management must follow the perfected laws and regulations. When formulating relevant laws, rules and regulations, and administrative orders, attention should be paid to link them with the GATS. They must meet the needs of our country's economic development, but they must also meet the needs of international markets and market competition, and they must be clear and unambiguous.

Two, foreign contracting enterprises must boldly reform their management and administrative, personnel, and wage systems. They should change their management mechanisms and adopt advanced administrative and management methods to increase vitality.

Three, we must emphasize the training of personnel we send abroad. We should set up specialized training organizations to train administrative and management personnel needed in the international labor markets as well as workers who can adjust to the work and lifestyle of foreign countries. In particular, we must improve their professional skills and foreign language proficiency.

Four, we must pay attention to market studies and set up information networks. Besides enterprises that engage in foreign labor contracting, the China Foreign Contracting Trade Association and International Engineering Consultation Association should also do a good job gathering, sorting, and transmitting information.

Five, we should strengthen alliance and develop diversified management. Enterprises engaging in foreign labor contracting should, besides associating with businesses in the same and related trades in this country, also keep in touch with large international contractors and local companies in foreign countries. They should integrate capital, personnel, technologies, and other productive factors to increase their ability to compete and to adapt.

Six, we must do better in our leveraged operations and learn to borrow money to make money. We should continuously expand the channels for gathering funds. In particular, foreign engineering projects require more circulation funds, and besides domestic loans, we can raise capital from a third nation or in the host country. Leveraged operations can solve the problem of lack of operating funds, but the risks are great, and we must pay attention to the extent of indebtedness and emphasize fund efficiency.

Seven, we should expand the scope of foreign service industry and develop technological services. Today, the rapid development of modern science and technologies has changed the traditional international division of labor, which in turn has changed the traditional comparative advantages and has diminished the role of simple labor. Because of this trend, while we continue to develop the export of simple labor, we should strive to develop international engineering consultation services and seek new technology-intensive export avenues and continuously increase the economic efficiency of foreign labor contracting.

Eight, we should formulate preferential policies and support the development of foreign labor contract undertakings. We should adopt measures to encourage enterprises to earn foreign exchange, and if necessary, they should be given certain credit and tax breaks to help them increase accumulation and expand operation.

Nine, we should diversify the dispatch of foreign labor services. While we vigorously develop labor service for entire construction projects [CHENGJIANZHI 2052 1696 0455], in order to adapt to the further opening up to the outside world and the development of the service trade, we should actively explore new ways to dispatch civilian labor services.

Ten, we should strengthen and unify management under the proper authorities. No doubt the development of China's foreign labor contract undertaking has the vigorously support of the relevant government departments, but because this undertaking involves the government departments in charge of foreign travels, foreign exchange, credit, and tax management and so on, it makes the formulation and coordination of management methods fairly difficult. Moreover, so far, China's method of managing the import of foreign labor services is neither complete nor clear; different departments are making their own rules. As the management scope of foreign labor services expands, as management styles diversify, and as the foreign service markets open up gradually, the importing of foreign services will increase, and besides strengthening legislation and managing everything according to the law, we must also strengthen the unified management of our labor export and import and put them under proper authorities to facilitate the formulation of centralized management and sales strategies, the coordination relationships, and the study and resolution of mutual problems in the development of this undertaking.

4. Develop the tertiary industry and promote foreign trade:

Development of the tertiary industry and vitalization of science and technology are the basic guarantee of the development of China's contracting of labor services abroad.

In the future, even if all markets are opened to the same extent and all trade barriers are gradually eliminated through GATT negotiations, it will only mean greater

opportunity of market admission and national treatment. To expand the contracting of labor services abroad, it is even more important that we rely on our own ability and service quality. If we cannot compete in these areas, we will lose our market and our opportunities. Today, China's tertiary industry still lags behind. While the tertiary industry's output value as a share of the GNP is about 60 percent in the developed nation, about 50 percent in a middle-income nation, and about 35 percent in a low-income nation, in 1990, China's tertiary industry only accounted for 27.2 percent of the GNP, and it accounted for 18.6 percent of the total labor force, which was much lower than the 40 percent in some developing nations. Therefore, it is imperative that we accelerate the development of our tertiary industry. This not only will facilitate the development of foreign service trade, change the foreign service export trade composition, and promote the development of technology-intensive services, but it will also help the national economy take off. Conversely, the development of the service trade will also promote the rapid development of the nation's tertiary industry.

In short, the liberalization of service trade is an inevitable part of historical development. It not only facilitates the readjustment of the international industrial structure but also facilitates the optimal allocation of the world's resources. The contracting of labor services broad is an inalienable part of our foreign service trade, and no doubt we must assume a new pose to seize the opportunities and face the challenges before us.

Solutions, Explanation for Export Slide

94CE0094A Beijing GUOJI SHANGBAO in Chinese
9 Oct 93 p 3

[Article by Tang Chuanfeng (3282 0278 6912) of Youth Forum on Foreign Economic and Trade Reform and Development: "Policy, Regulations, and Theory—the Deeper Cause and Solutions for Export Slide"]

[Text] Six Manifestations of Export Slide:

1. Manifestation in total foreign exchange income: Total foreign exchange income is higher than that of the corresponding period of 1992, but the increase rate is much lower in 1993. In the first seven months of 1993, China's exports totalled \$44.7776 billion, only 4.7 percent higher than the \$42.749 billion of the corresponding period of 1992. This is the lowest growth rate of export since the reform and opening up.

2. Manifestation in the general structure of export commodities: The export of primary products showed an absolute decline and the growth of export of manufactured goods slowed. In the first seven months of 1993, foreign exchange income from the export of primary products amounted to only \$8.592 billion, a decrease of \$465 million or 5 percent from the \$9.057 billion of the corresponding period of 1992. Of all primary products, the decrease of nonedible raw materials and mineral fuel were particularly serious—over 10 percent. The export

of manufactured goods increased 7.4 percent, but when compared to the 16.4 percent increase of the corresponding period of 1992, it is a reduction of more than one half. Foreign exchange income from the export of those manufactured goods which are classified according to raw materials, declined by 6.7 percent instead of increasing.

3. Manifestation in major export commodities: The export volume of major traditional commodities declined in general. In the first seven months of 1993, 33 out of the 59 commodities, or 55.93 percent, whose export volume exceeds \$100 million, showed an absolute decline in export volume, of which 24 commodities—rice, corn, soy bean, sausage casing, medicinal herbs, raw silk, raw cotton, coal, crude oil, product oil, synthetic organic fuel, antibiotic, cotton yarn, silk, synthetic short-fiber blend, carpet, steel products, radio, electric wire and cable, bicycles, boats, watch contents, leather gloves, and container boxes—showed a fairly significant decline, over 6 percent in all cases, when compared to the foreign exchange income of export in previous years.

4. Manifestation in the trade method of export commodities: Regular trade, small volume border trade, and compensation trade all declined by various degrees as compared to that of the corresponding period of 1992. In the first seven months of 1993, the total volume of commodities exported through the above three methods were \$21.218 billion, \$207 million, and \$141 million, a decline of 4.1 percent, 56.8 percent, and 11.4 percent, respectively. With regular trade accounting for 50 percent of total export, the absolute decline of its foreign exchange income is bound to affect the growth of foreign trade and export as a whole.

5. Manifestation in the major entities of export: The exports of main export and import companies at the central level had fairly fast growth while that of regional companies, such as provincial, municipal, and autonomous region, had slow growth. Some prefectures and cities even suffered negative growth. According to the statistics compiled by customs, in the first seven months, the exports of main export and import companies at the central level totalled \$2.518 billion, an increase of 40 percent over the \$1.798 billion of the corresponding period of 1992. Since such exports account for only a small percentage (only about 5 percent) of national exports, it cannot bring about a substantial growth in the national exports in spite of its high increase rate. Other statistics show that in the first seven months, regional exports totalled \$42.257 billion, an increase of only 3.2 percent as compared to that of the corresponding period of 1992. The foreign trade and export of 16 provinces, municipalities, and autonomous regions—Beijing, Hebei, Nei Monggol, Liaoning, Jilin, Shanghai, Jiangxi, Shandong, Henan, Hunan, Sichuan, Guizhou, Shaanxi, Gansu, Qinghai, and Xinjiang—witnessed negative growth. Since the exports of regional trade companies account for about 95 percent of national exports, the slow growth or worse, sliding, of foreign trade and export

of regional trade companies will inevitably result in a slide in the national foreign trade and export.

6. Manifestation in the export of countries and regions: Exports to several traditional Asian countries declined substantially. In the first seven months of 1993, the export volume of Mainland China to Asian countries and areas was \$25.635 billion, a decrease of \$5.695 billion or 18.1 percent in absolute volume as compared to that of the corresponding period of 1992. Of this, exports to Hong Kong declined the most. As far as the volume is concerned, exports to Hong Kong in the first seven months of 1993 amounted to only 59.1 percent of that in the corresponding period of 1992. In recent years, Hong Kong has been one of the largest export markets for China. In the first seven months of 1992, China's exports to Hong Kong totalled \$19.334 billion, accounting for 45.22 percent of the total exports of Mainland China. In the same period of 1993, however, China's exports to Hong Kong totalled only \$11.412 billion, accounting for only 25.48 percent of total exports of Mainland China. In addition, exports from Mainland China to six countries and areas—Macao, Malaysia, Singapore, Thailand, Bangladesh, and Iran—also witnessed negative growth. Such a rapid decline in China's exports to traditional markets poses an important issue that is worth our study. (This issue will not be analyzed here. It will be studied in another article.)

II. Deeper Causes for Export Slide

There are many causes for export slide. This article will analyze this issue along mainly two leads: A substantial reduction in the export volume of some commodities and a general reduction in export prices.

1. The export volume of some major commodities declined substantially, affecting the foreign exchange income of export.

Customs statistics show that in the first seven months of 1993, 19 out of the 59, or 32.2 percent, of the major export commodities whose export volume exceeds 100 million, had an absolute reduction in export volume. The largest reduction of export volume (-78.9 percent, namely a decrease of 78.9 percent from the corresponding period of 1992) was recorded by vessels, followed by other 13 commodities—soy bean (-68.1 percent), steel products (-66.7 percent), container boxes (-47.9 percent), raw silk (-42.9 percent), product oil (-35.2 percent), dry beans (-19.8 percent), watch content (-15.9 percent), radio (-11.7 percent), crude oil (-10.7 percent), medicinal herbs (-7.5 percent), bicycles (-7.4 percent), synthetic organic dyestuff (-6.8 percent), and coal (-5.6 percent). Calculated on the basis of the average price of commodities exported in the first seven months of 1993, the reduction in the export volume of the abovementioned 19 commodities alone results in a reduction of about \$783 million in foreign exchange income, accounting for 3.22 percent of the total exports of abovementioned 59 major export commodities.

There are many different causes for the absolute decline in the export volume of commodities, but the following three are the most important:

A. The growth of the national economy, especially the industry, was overheated, the demand of domestic market was great, and the supply of some capital goods was outstripped by demand, causing a greater shortage of export goods suppliers, compared with the corresponding period of 1992. For instance, the shortage of steel products and product oil was very evident.

B. Domestic market prices went up and inflation rate reached two digits, causing export cost to rise. In addition, since international market prices are sluggish, the exports of many commodities, especially primary products, turned from profits to losses and exports became less profitable than domestic sales, leading finally to an absolute decline in the export volume of some commodities such as live hogs, medicinal herbs, raw silk, synthetic organic dyestuff, and bicycles.

C. Railway transportation capacity was insufficient and some export commodities cannot be delivered on time. For instance, the export of such commodities as coal, crude oil, and soy bean was often affected by the insufficient number of railroad cars.

2. The substantial reduction in the prices of most export commodities caused foreign exchange income to drop still further along with the reduction of the export volume of some commodities. In some cases, even when the export volume increased substantially, the foreign exchange income decreased instead of increasing along with the volume increase because of the price reduction. Calculated according to the statistics of the customs, in the first seven months of 1993, only 20 of the 59, or 33.9 percent, of the major commodities whose export exceeds \$100 million, did not have a price reduction (as compared to that of the corresponding period of 1992). The other 39 commodities, or 66.1 percent, had various degrees of reduction in the average export price. If we consider the average price of major export commodities during the first seven months of 1992 as 100, the greatest export price reduction is recorded by electric wire and cable (64.43, namely the average export price only equalled 64.43 percent of the price in the corresponding period of 1992), followed by raw silk (71.45), silk (71.48), mink apparel (73.44), antibiotic (75.10), sugar (77.04), machine-made products with man-made fiber (77.26), bedding (77.40), synthetic and blend fabric (79.53), plant residual after oil extraction (80.30), rice (81.59), cotton yarn (84.76), fresh and dried fruits and nuts (84.46), sausage casing (84.88), locks (85.06), metal processing machine tool (85.68), tea leaves (86.27), raw cotton (87.15), carpets (87.47), cotton machine-made products (87.58), aquatic and marine products (87.79), synthetic organic dyestuff (87.87), corn (90.15), leather gloves (90.04), vegetables (93.11), container boxes (95.0), coal (95.02), television (95.17), peanut with and without shells (96.44), medicinal herbs (97.72), radio-recorder stereo sets (97.43), and knit wear (79.74). The

price reduction of the above 39 export commodities causes foreign exchange income to decline by \$1.374 billion, accounting for about 5.66 percent of the total value of the abovementioned 59 major export commodities. The most outstanding example is the export of electric wire and cable. The total amount of such commodities exported in the first seven months of 1993 was 4,732.2 billion tons, an increase of 16.7 percent over the corresponding period of 1992. But foreign exchange income from this export was only \$162.2 million, a decrease of 24.8 percent from the corresponding period of 1992.

The international market is changing constantly and changes in commodity price are common. However, the scale and rate of decline in the export price of Chinese commodities have been unheard of for many years. There are mainly eight factors:

A. The plunge in the exchange rate of renminbi against other currencies on the foreign exchange market is an important cause of the decline in the export price of Chinese commodities.

Generally speaking, when renminbi depreciates against other currencies, enterprises may lower the price of export commodities in foreign currencies, thus increasing the competitiveness of the export commodities of China and achieving the purpose of expanding export and increasing foreign exchange income. However the fact is that the depreciation of renminbi against other currencies did not cause foreign exchange income to increase because of an increase in export volume. One of the most important reasons is that when export enterprises decide on the price of export commodities, they do not use the international market price of similar commodities as a guide. Instead, they use the foreign exchange rate of depreciated renminbi to calculate the cost of export goods. As a result, the greater the depreciation rate of renminbi, the greater the decline in the price of export commodities. In the first seven months of 1993, the export volume of some Chinese commodities increased substantially, but foreign exchange income declined instead of increasing simultaneously. An obvious example is the export of rice, corn, fresh and dried fruits, sausage casing, quality wool, raw cotton, antibiotic, silk, carpet, locks, metal processing machine tools, electric wire and cable, beddings, and mink apparel.

What is worse, when fixing the price of export commodities, some companies and enterprises do not compare with the international market price of similar commodities nor use the current exchange rate of renminbi published by the regulatory market as a basis for calculation. Instead, they estimate how much the exchange rate of renminbi is going to depreciate against the dollar when they settle their account in the future and use it as a basis. When we went to Shenzhen and Zhuhai to investigate in July 1993, some export enterprises already estimated the exchange rate of US dollar for renminbi in export cost to be 1:9 and more. Some even estimated it

to be 1:10. They believed that renminbi will continue to depreciate substantially. There is a problem of directing the mass opinion and the problem of expectations of policy makers of export enterprises. The result of such a practice is that not only the depreciation of renminbi cannot help expand China's foreign exchange income from export but it also can accelerate the rise of domestic prices, worsen the domestic environment of export trade of China, and disrupt the traditional export market of China.

B. The difference between the two exchange prices has grown. When foreign businessmen negotiate with Chinese export enterprises about commodity prices, they use the foreign exchange rate of China's regulatory market to pressure Chinese export enterprises to lower prices and use it to chip away the benefits brought by the depreciation of renminbi to China's export enterprises. Foreign businessmen using the difference between exchange prices to put pressure on China cannot but affect the export price of Chinese commodities.

C. After the delegation of decision-making power in foreign trade management, some local production enterprises and scientific research units have the right to direct import and export, and the previous channel of export through specialized foreign trade companies has been partially or totally severed. Because of this, when fixing the price of export commodities, they only ensure that their income from export is not lower than their previous income from supplying goods to specialized foreign trade companies. They seldom take into consideration the export profits of specialized foreign trade companies and the difference between domestic and foreign prices of commodities. Instead, they simply turn this portion over to foreign importers. This is a cause for the decline in the price of export commodities as well as an important factor for the export slide of various localities and municipalities.

D. Many enterprises deal in the same commodity. There is no influential organization to coordinate in the middle. Macroeconomic management is lacking behind. Plus the fact that after the delegation of decision-making power in foreign trade management, the quality of employees was not high in general, resulting in disorder in export management and competition by lowering export prices and mutual destruction. This is another important cause for the decline in the export price of Chinese commodities.

E. The inflexible export task target is a policy factor for the decline in the export price of commodities. Afraid that their foreign trade and export right may be taken away due to their failure to complete their export task, some enterprises cannot but complete their export task, even at the expense of losing money, to protect their hard-earned foreign trade and export right. Some enterprises even purchase foreign currency at a high price when they have failed to complete their export task and report the amount to the departments concerned to show

that they have completed their export task. The inflexible command-style export target not only can cause the export price of Chinese commodities to drop but also will affect the economic returns of enterprises.

F. The serious flow of state and collective assets to private pockets in the sphere of foreign trade is another cause for the decline in the export price of foreign trade commodities. Ignoring national interest and through concessions in the negotiation of contract terms, some foreign trade employees ask foreign businessmen for under-the-table compensation commission, or financial guarantee for overseas study of their children. This phenomenon is not new. What is different is that it is now worse than ever. Foreign businessmen's money is not given away for free whether it is through under-the-table commission or other methods. The price to pay must be continuous reduction in the export price of commodities and continuous increase in the import price of commodities. As a result, export prices have dropped, import prices have risen, and the state and collectives have suffered serious damages.

G. The quality of commodity is low and structure, backward. The quantity of production of commodities is great in China. Some commodities are seriously stockpiled. But exportable high-quality commodities are limited. High value-added hi-tech products, in particular, are rare. This is a cause for the decline in the export prices of commodities as well as an important factor for the decline in the absolute volume of primary product export and the slowing of the increase of manufactured goods export.

H. The sluggish international market has had some impact on the decline of export commodity price of China, but it is not decisive. The monthly average prices of certain major commodities on the international market are all higher than the export prices of similar commodities of China. For instance, the monthly average price of raw silk in the Yokohama Exchange of Japan is about \$100,000 per ton while the average export price of raw silk of China in the first seven months of 1993 was only \$227,000, equivalent to only 22.7 percent of the price of the Japanese exchange.

3. Solutions for Export Slide

The issue of export slide is an economic issue involving the entire foreign economic and trade system. It is also a social and political issue involving the development of the national economy as a whole in China. Relying only on the administrative method of foreign economic and trade authorities, such as issuing a document requesting that all localities and municipalities fulfill this year's export tasks, cannot solve the problem. In the current stage, we may consider the following measures:

First, stabilize the exchange rate of renminbi against other currencies on the regulatory market to create conditions for merging the tracks of official and regulatory exchange rates and eventually establish a unified exchange rate that is conducive to the growth of export. Stabilizing the

exchange rate of renminbi against other currencies on the regulatory market now can help foreign trade enterprises fix the price of export products and eliminate the people's anxiety over the continuous substantial depreciation of renminbi, thereby halting the downward slide of the export price of commodities. The merging of official and regulatory market exchange rates not only is conducive to the economic accounting of foreign trade enterprises but also helps prevent foreign businessmen from using the difference between China's regulatory and official exchange rates to put pressure on the export price of Chinese commodities.

Second, cool the overheated economy and check inflation. Appropriately cool the economy to ensure coordinated development can, on the one hand, lessen the demand-and-supply contradiction of materials and equipment at home and, on the other hand, alleviate the shortage of supply of export goods. If inflation can be checked, domestic price level will be stabilized accordingly. This can lower or stabilize the cost of export commodities and facilitate the cost accounting of export commodities. It can also alleviate the problem of domestic and foreign sales of commodities.

Third, give priority to and guarantee the working funds and railroad cars needed for export. Foreign trade is an organic component of the national economy. Developing foreign trade is of important strategic significance to optimizing China's industrial structure, developing productive forces, improving the people's living standards, and ensuring the foreign exchange needs of key construction projects of China. The government should adopt necessary measures to encourage the development of foreign trade, especially export.

Fourth, establish the lowest price limit of export commodities, exercise the function of export industry association, strengthen the coordination between export entities, stop the practice of export enterprises competing with each other by lowering prices, enable enterprises to set their export prices according to the international market prices of similar commodities, and establish a supervising mechanism for the lowest price limit. This can increase the foreign exchange income of the nation as a whole and effectively reduce the number of occurrences of anti-dumping cases abroad.

Fifth, raise the quality of commodities, improve the structure of export commodities, expand the export of commodities with higher technical content and added-value, and increase the competitiveness of Chinese commodities on the international market. Currently, the competition of the international market is acute. Relying on the competition of lower prices is no longer a main method for commodities to enter the international market. The key to entering the international market lies in developing scientific and technological advantages, stabilizing and improving the quality of products, increasing variety, improving packaging, ensuring the timely and steady delivery of goods, and strengthening before and after sale service.

Sixth, clean up the foreign economic and trade contingent, improve the quality of foreign economic and trade employees, overcome the unhealthy tendency of the industry, resolutely attack the illegal sale of permits and licenses and the practice of obtaining under-the-table compensation from foreign businessmen, and conscientiously solve the problem of serious loss of state property in the sphere of foreign economic relation and trade industry. The Ministry of Foreign Economic Relation and Trade is the leading administrative organ of foreign economic relation and trade. Its functional departments should take the lead in setting an example and clean up the government for the people. They should be open in managing relevant permits and licenses and do a good job in the logistic support of foreign trade companies and enterprises. They should punish according to law and never tolerate those foreign trade employees who seek personal gains at the expense of the public. Seventh, train a contingent of foreign trade workers who possess market economic conditions and can take part in the international market competition. The ultimate competition of the international market is one of personnel. With the decision-making power in foreign trade management delegated to lower levels, the training of foreign economic relation and trade staff and managers should be placed in the primary position on the agenda. Only when we have a contingent of well-trained good staff and workers can we increase the economic returns of foreign trade enterprises, thereby increasing in turn the macro-economic returns of the foreign economic relation and trade of the nation as a whole.

Eighth, foreign economic and trade enterprises should establish a mechanism to encourage export, link the interest of foreign economic and trade employees to the economic returns of export and growth, change the past situation in which the individual interest of foreign trade employees was only linked to the volume of export, and enable their income to increase as the economic returns of enterprises increase. We should eradicate the previous phenomenon where companies lost money but individual interest not only was not affected but increased.

In addition, the enthusiasm, initiative, and pioneering spirit of central and local government leaders at all levels in the development of foreign economic and trade undertakings are an important guarantee for stopping the export slide of China. Only when government leaders at all levels pay attention to this matter can the above-mentioned measures be carried out effectively and the export slide be genuinely stopped.

'Victim' of Multinationals' Transfer Pricing

94CE0064A Beijing GUOJI MAOYI [INTERTRADE]
in Chinese No 141, 15 Sep 93 pp 50-51

[Article by Cao Tongle of Town, Township Enterprises Institute of the Ministry of Agriculture: "Shallow Analysis of Transfer Pricing in Foreign-Funded Enterprises"]

[Excerpts] [passage omitted]

II. Transfer Pricing in Foreign-Invested Enterprises

China is a developing nation, and its history in opening to the outside world is only over a decade. It has basically not acquired the status of the parent nation of any multinational corporation. It is only a host nation for the branch companies of some multinational companies. Just like some other developing nations, China is also a victim of transfer pricing. Some multinational corporations make use of means of transfer pricing to prevent our tax authorities from levying taxes on them and reap illicit profits from the joint ventures and cooperative enterprises. As a result, China has suffered enormous losses from this. Right now, foreign-invested enterprises are incurring considerable losses. One of the important reasons for this is that foreign businessmen have used transfer pricing to transfer the profits made by foreign-invested enterprises out of China. Let us take the Shenzhen Special Economic Zone, the first city open to the outside world, as an example. More than 2,400 foreign-invested enterprises registered themselves with the tax authorities in Shenzhen in 1989. The output value of foreign-invested enterprises reached 6.86 billion yuan, accounting for 58.9 percent of the total industrial output value in Shenzhen City. However, the income tax on enterprises paid by foreign-invested is less than half of that paid by state-run enterprises. The main reason is that foreign businessmen have taken the advantage of the loopholes in China's tax laws and tax officials' inexperience to transfer their profits out of China by means of transfer pricing, and then pretend to incur losses in order to evade tax payments. According to a sampling investigation conducted by the Shenzhen Tax Bureau over the accounts of 50 wholly foreign-owned enterprises on their export products in 1988, 30 of these enterprises reported losses as much as 60 percent of their capital. However, they were able to sustain their "losses" for a long time without going bankrupt. Some enterprises which had continuously suffered "losses" for many years are still increasing their investments and expanding their scale of operation. Apparently these foreign businessmen have already transferred their profits out of China through transfer pricing, and created a situation whereby they "suffer losses in disguise, but reap profits in reality." Although the branch companies incur losses in the books, the overall interests of the multinational corporations are on the rise. This kind of phenomenon not only exists among wholly foreign-invested enterprises, but also appears among some joint ventures and cooperative enterprises. Because of poor financial management and due to the fact that the supply of raw and semi-finished products and the right to sell and market products are in the hands of foreign businessmen, it is difficult for the Chinese side to find out the actual business situation and profits made by any enterprise. Foreign businessmen usually have the final say on their profits or losses.

III. Main Signs of Transfer Pricing in Foreign-Invested Enterprises

1. Supplying machinery, raw materials and components at a higher price. This is the most serious practice in

transfer pricing. According to statistics compiled by a relevant department, the prices of 124 varieties of commodities imported in 1990 by foreign-invested enterprises were higher than the average prices of similar goods in the country, of which the prices of six varieties were as high as 10 times. Right now, more than 90 percent of foreign businessmen make their investments in kind in joint ventures in China. Over-estimation of the equipment is an extremely common phenomenon. The Chinese side suffers serious losses. Commodity inspection departments in Jiangsu, Tianjin and Fujian appraised 155 batches of equipment which foreign businessmen imported into China as a part of their investment between November 1991 and the end of 1992. They found that the prices of all the equipment are falsified, 28.8 percent higher than the actual prices. Some of foreign businessmen even make use of the Chinese side's lack of knowledge in equipment appraisal to dispose scraps under the name of joint venture. To supply raw materials and components at higher price is a habitual gimmick used by foreign businessmen. For example, foreign businessmen are responsible for the supply of watch cases to a joint venture watch factory in Shekou. In 1988, the average import price for this kind of watch case was less than 35 yuan Renminbi, but foreign businessmen imported such watch case at 42 yuan from its affiliated enterprise. For this item alone, the joint venture sustained an annual loss of 10 million yuan. When foreign businessmen raise the price of the products they supply and increase production costs, the profits of the joint venture drop, and it may even suffer losses. By taking advantage of the loopholes in China's commodity inspection, some foreign businessmen even supply the joint ventures with substandard raw materials and components equipment at higher price.

2. Forcing the sales price down. Due to lack of channels for sales and marketing, the Chinese side often, in its contract or agreement, shifts the responsibility of selling and marketing the products manufactured by the joint venture to foreign businessmen. Some foreign businessmen take this opportunity to force the export price down, and seize the profits as their own. In early 1988, the cost of imported parts for a color television set for a certain joint venture branch company was \$230, but the export price of the television set was merely \$200. The cost of imported parts was higher than the export price of the assembled set. The foreign businessman blamed the changes in foreign exchange rate. In essence, he reaps profits by means of transfer pricing.

In wholly foreign-invested enterprises, the sales price of the products is entirely determined by the parent corporation of the multinational company. The sales price is often forced down at will so that the enterprise only makes little profits or even suffer losses in an effort to evade income tax. A certain large multinational group establishes a sole corporation in Shenzhen, hiring more than 2,000 workers in the manufacture of electronic parts. Its annual output value is high as HK\$400 million. This corporation went into production in 1981. It was

exempted from income tax in 1985 and 1986 during which it reported profits to the tax authorities. It was allowed a 50 percent reduction of income tax in 1987 and 1988 during which it reported losses, totaling HK\$88 million in two consecutive years. The manager of the corporation bluntly said: "The profits or losses of our enterprise are determined by the head office abroad." Apparently the "losses" of this corporation does not reflect the actual situation. The profits it made has already been transferred out of China by means of "transfer pricing."

The aforementioned two forms of transfer pricing are the two important methods used by foreign investors to reap illicit profits. It is estimated that by using these two methods, foreign businessmen have already reaped profits totaling several billions of U.S. dollars.

3. Transferring technology at a high price. For example, a foreign investor invests \$1.5 million in a certain joint venture, but the total cost of the special equipment, technology transfer and personnel training has reached \$6 million. It is estimated that from this, the foreign investor makes a profit of approximately \$2.1 million which exceeds its original investment. The foreign side has already retrieved its capital and made a great deal of profit before the joint venture goes into operation. Even worse is the fact that some foreign businessmen even try to palm off out-of-date technology as advanced one and ask the enterprise to pay an exorbitant price for it.

4. Lowering the declared value of products to evade tax. For example, a certain wholly foreign-invested enterprise manufactures television sets for the domestic market. The products are sold through a state-run enterprise in Shenzhen as its sole distributor, while the wholly foreign-invested enterprise pays tax. Both sides agree that the wholly foreign-invested enterprise sells the television set to the state-run enterprise at the price of the set less the picture tube, and pays tax on the basis of this price. In this way, the taxable price for each television set is 580 yuan less than what the declared value should be. Twenty thousand such television sets have been sold, and the total amount of sales was 11.6 million yuan less. The wholly foreign-invested enterprise has evaded paying industrial and commercial consolidated tax totaling 500,000 yuan.

In addition to the aforementioned forms, there are other forms of transfer pricing in China such as different labor charges made by foreign-invested enterprises and their corporations abroad, higher-than-average loan interest rates and so on.

Measures To Monitor and Control Transfer Pricing

1. Efforts must be made to strengthen supervision over tax payments from foreign-invested enterprises. Foreign businessmen mainly achieve their goal of transferring their profits and evading tax through transfer pricing. This is a problem of great concern of the tax authorities in various countries in the world. There are relevant provisions in the tax laws of western developed nations

in dealing with transfer pricing within any corporation. Such provisions demand that the prices for internal trading within an corporation be determined on the basis of the principle of "independent competition." If the tax authorities discover that there is a difference between the price in internal trading and the "outside price," they would adjust the amount of tax which the corporation should pay on the basis of the "outside price." China's new tax laws have introduced the tax system in dealing with transfer pricing, and authorized the tax authorities to reasonably adjust the price for internal trading within any corporation, which is not determined on the basis of the market price. While assimilating the experience of foreign countries, we must adjust the price by using the following methods:

A. The method of comparing with price not under control. That is to compare with the sales price of a similar product and determine the price of goods transferred between affiliated enterprises on the basis of the price of goods sold and bought between totally unaffiliated enterprises.

B. The method of subtracting the normal profit from resale price. The price for goods transferred between affiliated enterprises within a corporation should be fixed on the basis of the resale price of the same goods sold to other affiliated enterprises after deducting the normal profit.

C. The method of adding profit to manufacturing cost. When goods are sold to an affiliated company, the manufacturing cost of the goods should be calculated on the basis of the proper accounting procedure plus an appropriate net profit. Only by doing so can we arrive at a reasonable sales price. After adjusting the price for internal trading between the foreign-invested enterprise and its affiliated enterprises by using the aforementioned three methods, the tax authorities then determine the profit as well as the amount of income tax due. By doing so, they will be able to effectively prevent foreign businessmen from transferring their profits and evading taxes.

2. It is necessary to strengthen inspection over the equipment and raw materials supplied by foreign investors. The administrative staff members of the Chinese side must cooperate with the commodity inspection departments in earnestly examining and checking the raw materials, parts, components and goods supplied by foreign businessmen, and prevent such businessmen from palming off inferior ones as good ones, old ones as new ones and substandard ones as high-quality ones.

3. Before a joint venture or cooperative or wholly foreign-invested enterprise examines the investment contract, it must set rules on various principles including the principle on pricing. For example, it should set prices on the basis of comparable prices on the world market. With this principle on pricing, they can carry out checking,

verification and supervision at a later date. On some matters of principle, we should not always yield to foreign businessmen.

4. We must strengthen our financial supervision over foreign-invested enterprises. Particularly in dealing with any joint venture or cooperative enterprise of the multinational corporation, the Chinese side should send out highly competent accountants to work there and help make policy decisions in the financial department. It should involve itself in the work of cost accounting and thoroughly understand the financial situation of the enterprise in order to prevent foreign businessmen from taking advantage of any chaotic situation in financial management to carry out transfer pricing.

5. In any joint venture or cooperative enterprise, the Chinese side must pay full attention to the supply and marketing department. An enterprise's profits or losses are closely connected with its business turnover. Delegating the power of supply and marketing to the other side is equivalent to turning the entire enterprise over to the other side. As for the purchase of a large quantity of equipment and raw materials and the export of manufactured products, we may select the best buyer or seller by public bidding. In this way, we can not only buy or sell at the best price, but also expand channels for our imports and exports.

LABOR

Pros, Cons of Labor Contract System

94CE0103A Beijing JINGJI RIBAO in Chinese
13 Oct 93 p 3

[Article by Chu Xinghua (0328 5281 5478): "The Labor Contract System: Joys and Concerns"]

[Text] The labor contract system began as a pilot project in 1982, was developed further in 1984, and comprehensively implemented in 1987. After ten years of fast-paced trial, how is it working now?

According to information from authoritative agencies, China's labor contract system has made great progress. This is illustrated first in the number of contract employees which has now reached 25.42 million, or 16.3 percent of all urban and township employees. A total of 14,729 enterprises, with 8.817 million employees, have implemented the labor contract system for all employees on a trial basis. The system spread inland from the southeastern coastal region towards the northwest. Shanghai, Shenzhen, and Anyang, Henan province have done well. Shenzhen has completely implemented the system. In addition, employees have a stronger understanding of this reformed method of labor utilization. In 1992, relevant agencies completed a survey by questionnaire of the employees of several thousand enterprises in Shanghai. The results showed that 80 percent of the employees surveyed felt that this type of reform was necessary. A survey of employees in five industries in

Liaoning and seven other provinces and municipalities showed that 61 percent of the employees supported this reform. The labor contract system raises labor productivity. In 1992, enterprises in the city of Anyang in Henan province put all employees on the labor contract system and increased their production value by 22.5 percent and sales income by 5.47 percent. Of 100 pilot enterprises in Qingdao, 45 percent had over 30 percent increases in profits.

Actually, China implemented a "contract worker" form of utilizing labor as early as the fifties and sixties but that was a temporary labor system for enterprises. Contracts were signed by enterprises and county or village governments. Because the arrangement was between two units, there was little involvement of the individual laborer. The contract was short-term with no benefits. The enterprises even paid the wages of "contract workers" to the workers' original units which then redistributed the wages to the workers. But this played an important role in the socialist construction of the nation's early years. Generally speaking, the labor contract system currently in use is a new form of labor utilization. By using a contract to establish the labor relationship between the enterprise and the employee, the responsibilities, rights, and benefits of both sides are clearer, and enterprises can use contracts to manage effectively. This is a change from the old method of managing production according to state laws and regulations and enterprise rules. Unlike in the past when a new employee entering an enterprise became something like a citizen of that enterprise with an "unbreakable" iron rice bowl, the labor relationship between the enterprise and the employee is established by a contract. When the contract expires, the relationship ends; if it is not to end, then the contract is extended. As explained by Wu Runnian, director of the enterprise office of the Beijing municipal labor bureau, at the end of September of this year, state-owned enterprises in Beijing (not including central government enterprises in Beijing) employed 355,000 contract employees, or 28 percent of all their employees. Those units with better results include the Beijing No. 2 Coal Factory, the Beijing Micro-Electronics Factory, the Petrochemical Machinery Factory and the Beijing Municipal No.3 Trademark Printing Press. On June 29 of this year, the municipal government issued a document promoting the labor contract for all workers, stipulating in principle that all employees must sign a contract with their enterprises. This method will enable employees to move to higher or lower positions, enable enterprises to have a normal flow of talent in and out, and better meet the needs of a market economy.

Even more important is that this system of labor utilization places employees and the administrative and management staff of enterprises on an equal footing. Workers, factory heads, and company managers must all sign contracts. The extent of one's ability to fulfill an agreement determines where and what one does. This will inspire the proactivism and creativity of those already employed and make enterprises more flexible and effective.

Because this is a new form of labor utilization, its growth has traveled a bumpy road and has been limited in certain respects.

Because social safeguards have not kept up the pace, implementing the labor contract system has been like sending "an isolated force deep into enemy territory." In 1992, there was significant development in China's social safeguards: National employee insurance welfare expenditures totalled 130.95 billion yuan, which was 21.48 billion yuan or 19.6 percent more than the previous year. Over 2,000 unemployment organizations provided living expense aid to over 300,000 unemployed workers. This still falls far short, however, of meeting the requirements of implementing a comprehensive labor contract system in a market economy situation. The total number of employees in the country is 147.92 million. The urban unemployment rate is still 2.3 percent, about the same as the previous year. Therefore, the pressure for employment is great, and enterprise employees don't dare casually leave their enterprise employment. To a certain extent, this limits the development of the labor contract system. Society has not created ample employment opportunities and does not have that great an ability to handle labor capacity. Thus, enterprises are proceeding with a burden. The one third of the elements of state-owned enterprises which operate at a loss would be made "superfluous" if enterprises based the number of hires on the amount of production materials and on whether the enterprise was operating successfully, as required by a market economy. A large number of excess employees would then be laid off, or made "superfluous." According to the relevant regulations of the State Council, excess employees are to be "placed mainly by the enterprise, and placed supplementarily by society." Thus, excess staff placed by the enterprise must be "absorbed" by a variety of other endeavors conducted by the enterprise. This is no doubt not too difficult for enterprises with funds and factory space, but those enterprises without such attributes must carry the burden of these excess workers everywhere they travel in the cruel competition of the market.

The gradual growth of the labor contract system has raised the level of awareness of employees, but the majority of enterprises still have not adapted their ideas to the requirements of a market economy and retain "tight knots" in their thinking. For example, some feel that in a socialist system, enterprises should not dismiss workers. In signing a contract with an enterprise, it seems that one has lost one's position of ownership and been put in a situation of being hired and exploited. As soon as a contract is signed, one no longer holds an iron rice bowl. This creates some resentment. The reason some employees refuse to sign a contract and instead retain a way out for themselves is that a contract is a legal agreement; if one transgresses it, one can be penalized. In 1992, Beijing No. 1 Machine Tool Factory accepted 50 graduates from its own school into its workshop. Ten of the 50 did not sign contracts but had other plans.

The Labor Ministry lacks effective management measures, and the "Labor Law" has still not emerged. This means that some tasks cannot be carried out but are relegated to a passive approach. The implementation of the labor contract system can clarify the relationship of rights and obligations between capital and labor, but the process of actual operation is not the same as the written theories. Some enterprise leaders have indicated that labor disputes are currently one-sided suits. A worker who does not receive wages or bonuses or is fired, dismissed, or expelled in violation of regulations can appeal to labor arbitration organizations and request the protection of his rights. If the arbitration is not successful, the worker can appeal to the courts to ask for enforced protection. But how many times has a factory head or manager filed suit against a worker? This no doubt is related to the practice of everyone eating out of the same big pot; if the state suffers a loss, the individual feels no heartache. It is not uncommon for employees to violate their contracts and thus cause losses to enterprises. In a textile mill in a certain coastal city, a worker on the assembly line left without saying anything at a time when there was no one to act as a replacement. The machine had to be shut off and production shut down and the enterprise suffered a great economic loss. Although some enterprises and employees have signed contracts with conditions stated in advance, in black and white, such as the duration of the contract is five or ten years, some employees still leave without completing their contracts and there is nothing which can be done about it.

"With many types of ownership and economic forms coexisting, discrepancies in wages and income make employed workers envious of others and enterprises will lack stability and the power to unite," says Comrade Fu Yahe of the School of Labor and Personnel of the People's University of China. It is reported that in the current talent market, the practice of switching jobs in search of higher income or "riding a donkey to look for a horse" is very serious and very few people are actually unemployed. Originally this was the reasonable movement of talent and gave no cause for excessive criticism. When other enterprises offer higher wages, however, it is with stipulations. For example, the three types of partially or wholly foreign-owned enterprises want workers who can "hit the ground running." Who then will pay the previous in-service training expenses? State-owned enterprises do not compete on the same track with village and township enterprises and the three types of partially or wholly foreign-owned enterprises in such aspects as taxes and financing. If they offer low wages, their backbone technical talent will be stolen away. How will they survive in the future?

Ultimately, however, the labor contract system represents the direction of labor use reform in China. Although some problems have arisen in its growth, we can use sets of reforms to increase reform dynamics and solve these problems.

AGRICULTURE

Anhui Farm Outputs, Incomes Increase

94CE0181K Hefei ANHUI RIBAO in Chinese
11 Nov 93 p 1

[Summary] In 1993 the estimated gross value of agricultural output (based on 1990 constant prices) in Anhui Province is 41.7 billion yuan, an increase of 3.3 billion yuan, or 8.47 percent over 1992. The output value of the crop industry will be 26.46 billion yuan, a 9.75 percent increase over 1992. The grain area was 90 million mu, and estimated gross output of grain is 25.4 million tons, an increase of 1,980,000 tons, or 8.46 percent over 1992. The estimated per unit area yield of cotton is 54 kilograms, an increase of 5 kilograms over 1992. Output of ginned cotton may reach 260,000 tons. Estimated gross output of oil crops is 1,566,000, an increase of 166,000 tons, or 11.86 percent over 1992. Meat output will be 1,371,000 tons, a 6.44 percent increase. There are 13,440,000 hogs in stock, a 2.1 percent increase. In 1993 farmer per capita net income will exceed 600 yuan, an increase of 100 yuan, or 17 percent over 1992.

Liaoning Rural Savings

94CE0181C Shenyang LIAONING RIBAO in Chinese
27 Nov 93 p 1

[Summary] As of the beginning of November, rural saving deposits in agricultural banks in Liaoning Province totaled 12.825 billion yuan, an increase of 2.174 billion yuan over the beginning of 1993, and an increase of 368 million yuan over the same period in 1992.

Jiangsu Autumn Grain Storage

94CE0181D Beijing NONGMIN RIBAO in Chinese
29 Nov 93 p 3

[Summary] As of 1 November, Jiangsu Province had put over 300 million kilograms of contract grain in storage, fulfilling 12 percent of the plan. Procurement units have raised the price of hybrid rice from 0.64 yuan per kilogram to 0.74 yuan.

Jiangsu Hog Output, Procurement Price

94CE0181G Nanjing XINHUA RIBAO in Chinese
12 Nov 93 p 5

[Summary] At the end of August, the number of hogs in stock in Jiangsu Province totaled 18,122,700, a decrease of 854,500, or 4.5 percent from the same period in 1992. In August, the average procurement price for hogs was 1.95 yuan per 500 grams, an increase of 0.20 yuan over the same period in 1992.

Guangxi Sets Goal for Sugar Industry

94CE0043A Nanning GUANGXI RIBAO in Chinese
20 Aug 93 p 1

[Article by Mo Jiajun (5459 1367 0193): "Regional Sugar Industry Working Conference Proposes Developmental Goals for the Next Three Years"]

[Text] It has been learned from the two day regional sugar industry working conference on 17 and 18 August that in the 1992-93 pressing season, Guangxi's raw sugarcane planting area was 5.8 million mu, 21.45 million tons of raw sugarcane entered mills, and 2.26 million tons of blended sugar was produced. Sugar output leapt into first place nationally. In face of this gratifying situation, numerous people attending the conference remarked that current domestic and foreign sugar prices look good, and Guangxi should more fully develop the sugar production with which it is richly endowed and move sugar production to an even higher plateau.

Vice chairman of the autonomous region, Yuan Zhengzhong, attended the conference and spoke. He said that success obtained in the 1992-93 pressing season should be fully acknowledged, but we should not be blindly optimistic. In this pressing season, besides the clearly improved economic efficiency of this harvest, what is more outstanding is that from understanding our experience we began to truly transform the economic system and make great strides toward the market. In the sugar industry, having been tested by a market slump, we gradually learned to protect ourselves and enter the market hand in hand. We gradually learned macroeconomic controls, adopted local financial discount, and slack season sugar storage measures. Government functions were changed, and information services were improved. But losses created in the previous pressing season still have not been fully made up. Enterprises still bear heavy burdens. Enterprises' own funds are insufficient, the comprehensive use of enterprises still is very low, and environmental protection pressures still are very great.

As for Guangxi's sugar industry development goals in the next three years, Yuan Zhengzhong pointed out that the 1993-94 pressing season will see comparatively stable cane sugar output, and improved efficiency. Sugar output in the 1994-95 pressing season will continue to increase, and is forecast to exceed 2.3 million tons. In the 1995-96 pressing season, Guangxi's sugar output may once again experience a rather large increase; it is forecast to exceed 2.5 million tons. At that time, Guangxi's sugar is expected to make up one-third of the nation's.

In the light of serious losses in Guangxi's sugar industry system last pressing season and favorable situation in current sugar sales, Yuan Zhengzhong pointed out that in the next pressing season, we should stress economic efficiency, 80 percent of sugar mills must not only not have losses for that year, but they also must pay off old bills. First we must keep a record of costs and enhance

enterprise management. Second, we should strive for a good sale price, do a good job of storing sugar, and have sugar mills enter the market hand in hand. All sugar mills should, in accordance with the Regulations, draw operating funds from sales, increase their own funds, and have bank support, so that they can turn the situation around and get rid of the burden of the losses. The government should truly transform its functions and give autonomy to enterprises that the Regulation stipulates.

Yuan Zhengzhong emphasized that we should attach a great deal of importance to protecting the interests of sugarcane farmers. The interests of sugarcane farmers should be tied up with the interests of sugar mills. Increased sugar mill profits should determine sugarcane procurement prices. We should formulate a sugarcane purchasing payment system, and determine a reasonable payment period. If the payment period is exceeded, this would be considered an IOU, and should be settled by households. It would not be permitted to settle by village and it would not be permitted to deduct it from other funds.

Finally, Yuan Zhengzhong emphasized that we should support poor regions appropriately to plant sugarcane, and develop the sugarcane industry as an important way of shedding poverty and getting rich.

Guangdong Measures To Stabilize Grain Output
94CE0130B Beijing ZHONGGUO NONGJIHUA BAO
in Chinese 2 Oct 93 p 1

[Report by Yi Bian: "Guangdong Adopts Measures To Stabilize Grain Production—Provisions on Management of Basic Farmland Protection Zones Will Soon Be Promulgated and Implemented"]

[Text] Guangdong Province has made reducing grain transfers and imports, and endeavoring to achieve basic grain self-sufficiency, the fundamental policy on future grain output provincewide. Accordingly, Guangdong has recently adopted a series of measures to protect and stabilize grain output.

In view of the rapid reduction of farmland, Guangdong has formulated measures to enhance protection. The provincial government demands that localities strictly control the use of farmland to build fish ponds and the growing of xylophyta crops such as perennial fruits, and strictly prohibit the improper use of farmland for setting up development zones or real estate development. The provincial government has also formulated "Provisions on the Management of Basic Farmland Protection Zones," which will soon be promulgated and implemented by the Standing Committee of the provincial people's congress, so as to legally demarcate and protect farmland.

As an important measure to stabilize grain output in Guangdong, a system of grain-production support and protection has been established. Preferential policies

such as providing extra-price grain subsidies, and increasing financial inputs, will ensure grain farmers profits. To ensure sources of funds for protecting grain output, and ensure that these measures are implemented, Guangdong has decided: Each year fiscal authorities at various levels should all appropriate some money to be used as funds for grain-production risk subsidies. The land reclamation levy imposed on rural collectives is to be increased, and 25 percent of township enterprises' agriculture-supporting profits of which 20 percent is included in pretax expenditures at the present time is to be used to support grain output. Agricultural development funds are to be used mainly for the construction of basic farmland protection zones. Price-differential revenues generated after state-allocated grain-linked chemical fertilizer and diesel fuel have changed from being supplied at state-set prices to being supplied at negotiated prices are to be used for extra-price subsidies for grain purchased under contract orders. Credit funds given by banks to support grain production and procurement are not to be used for other purposes. The provincial government has also stipulated that except for grain-linked price differential funds for means of production, credit funds, and rural collective funds, the abovementioned funds be managed by the fiscal authorities at various levels, and that the funds be used as special funds for supporting grain production, and be included in annual fiscal expense plans.

Guangdong also demands that the localities accelerate the construction of commercial-grain base prefectures and counties, and provide focused policy, financial, and technological support. At the same time, under the principles of willing participation on the part of peasants and of reciprocity and mutual benefit, actively popularize large-scale operations in grain production. Each county should use part of the grain-production support and protection funds as production subsidies for specialized grain-growing households and partnerships each year. Grain departments should sign grain procurement contracts with specialized grain-growing households and partnerships by the end of February each year, and appropriate funds to be used as grain-procurement earnest money in a timely fashion, and protect grain growers' enthusiasm by enabling them to arrange various agricultural production inputs on a timely basis.

Guangdong will also establish a number of additional grain wholesale markets in large and medium-sized cities and main grain-distribution centers, and establish futures exchanges for agricultural products, mainly grain, at places with the necessary conditions to ensure smooth circulation of grain.

Developing Guizhou Livestock Industry
94CE0129A Guiyang GUIZHOU RIBAO in Chinese
3 Oct 93 pp 1, 3

[Article: "Develop Livestock Industry, Accelerate New Area of Development"]

[Excerpt] [passage omitted] Relevant statistics indicate that the Guizhou livestock industry growth rate is gradually declining, and the gap has widened between Guizhou livestock production and the national average. The reasons can be summarized as incompatibilities in five areas: First, the lack of recognition by organized leadership of the importance of livestock industry in Guizhou's economy; second, the incompatibility between the livestock production management system and the operating system in the market economy; third, the incompatibility between the livestock raising structure and Guizhou's resource advantage for developing livestock industry; fourth, the incoordination between capital input and the need for accelerated development of livestock industry; and fifth, the incompatibility between the establishment of a technical services system and livestock industry development. By focusing on the gaps and problems in developing Guizhou livestock industry, our objective is call upon the party committee and government at all levels to give greater emphasis to the issue of speeding up livestock industry development, to heighten the sense of urgency as well as responsibility and to mobilize the entire province to carry out major developments of the livestock industry.

Goal and Main Tasks in Speeding Up Guizhou Livestock Industry Development

In the 1990s, Guizhou livestock industry confronts the new challenge of further changes from the planned economy to a market-oriented economy; based on the continuous progress of the past 14 years, speeding up development in the livestock industry is an important task which confronts the government at all levels; it is a strategic step to promote the overall rural economic development, a step which will enable peasants to rid themselves of poverty and become well off.

From the standpoint of practical experience in reform and opening, Guizhou livestock industry occupies an important position in the rural economy as well as the national economy; it is one of the main pillars of the rural economy, one which will help peasants to become well off. Guizhou livestock industry development enjoys rather clear advantages: large quantities of green fodder are available and vast area of grassland resources have not been fully exploited; the potentials for livestock raising are very great indeed. With adjustments being made in the food consumption pattern in the 1990s, the proportions of meat, eggs and milk consumed by the people are expected to increase by large margins; with increased consumption of animal protein, the market potentials for livestock industry will also increase. By century's end, when the peasants are expected to become moderately well off, per capita income should reach 1,100 yuan, and a considerable portion of which should come from development of livestock industry. In view of this, Guizhou Province, in dealing with rural economic development, will certainly not neglect grain production, but will positively and vigorously develop rural enterprises; in this context, the livestock industry will occupy as important a strategic position as do grain production

and rural enterprises. Furthermore, we should strengthen the leadership, emphasize key points, intensify reform, accelerate development and strive to realize the following goals:

By the end of the Eighth Five-Year Plan, strive to achieve in Guizhou Province total outputs of 900,000 tons of meat, 70,000 tons of eggs, 15,000 tons of dairy products, 30,000 tons of aquatic products, and a total livestock output value (at 1990 base value) of 5 billion yuan, or around 30 percent of the total agricultural output value; by century's end, total outputs of meat should reach 1.05-1.1 million tons, eggs 100,000 tons, dairy products 35,000 tons, aquatic products 50,000 tons, and a total livestock output value accounting for more than 35 percent of the total agricultural output value; we will also vigorously strive to realize a per capita cash income of around 400 yuan from the peasants selling livestock and aquatic products.

To realize the above-described developmental goals, we can count on numerous advantageous conditions: First, following accelerated changes from the planned economy to a market-oriented economy, we must also intensify reform of the system for managing and operating livestock production; we must concentrate on developing the market mechanism which promotes livestock development, particularly since we have accumulated some experiences in opening livestock production operation to market forces during the past 14 years, we can seek out a workable and realistic route through which we can speed up development of the livestock industry. Second, Guizhou's resources of sunlight, temperature, and water are suitable for raising livestock; the varieties of livestock and sources of fodder are plentiful; aside from the large quantities of green fodder and vast area of grassland which can be developed, there are large amounts of yearly productions of 700 million jin of rapeseed cakes, 600-700 million jin of distillers' grains and husks, 600-700,000 some tons of potatoes and yams, and so forth. These constitute a reliable material foundation for developing the livestock industry. Third, as the people's standard of living rises, market demands for livestock products will also increase, especially for beef, lamb, poultry, eggs, milk, etc., which will provide further impetus to accelerated livestock industry development. At the same time, Guizhou Province has continued to establish and nurture a series of model regional livestock product wholesale markets, laid down a foundation for a system of socialized services for livestock and aquatic industry, and raised the scientific and technical support for livestock raising to a higher standard. Fourth, the State Council has promulgated a program to develop and reform the food structure in China in the 1990s, which calls for coordinated development in food production and consumption, and provides a clear direction for the development of livestock industry. It remains for us to grasp this opportunity and exploit and fully utilize all the conditions advantageous to us, for there is indeed hope that we will achieve the livestock industry development goal in the 1990s.

Speed Up Leadership Thinking and Policy Measures for Developing Livestock Industry

In order to achieve a breakthrough in Guizhou livestock industry development in the 1990s, we must meet the requirements for establishing a socialist market economy, and further seek a suitable road through which we will lead the entire livestock industry to develop toward a market-oriented economy, a road which will meet both the needs of market economic development and the conditions of Guizhou Province. The basic guidance and thinking for developing the livestock industry are: Follow the market's directions as guidance, let science and technology take the lead, allocate resources rationally, coordinate all internal organizations, and direct the comprehensive productive strength toward developing a high-quality, high-yielding and highly efficient livestock production. To bring this about, the provincial party committee and government are determined to adopt the following measures:

1) Accelerate reform of the livestock production and sales system, strive to unify production and sales as one system. To get the livestock industry to develop toward a market-oriented economy, we must speed up reform of the livestock production and sales system, and gradually establish an operating system which suits a market-driven economy. Members of the party committee and government at all levels must conscientiously draw upon the successful experience of orienting development of the livestock industry toward a market economy, and at the same time learn from the successful experience of other provinces, develop the socialist market economy to a higher level, recognize the need to intensify reform of the livestock production and sales system, and adopt realistic measures which quicken the pace of reform. We must continue to thoroughly carry out the series of policy measures put forth by the provincial party committee and government to accelerate reform and opening and to speed up economic development. In this regard, we should encourage hiring people to work in livestock industry, and establish enterprises which unify production and sales, and provide processing, storage and transportation. We should implement a policy of allowing investors to keep their profits, and rewarding investors who have the patience to invest for the long-term. In terms of loans and materials, we should provide support, and extend preferential treatment to rural industries that engage in processing and storage [of livestock products]. We should take concrete steps to establish a group of conglomerates to handle processing and sales of livestock and aquatic products and a series of markets to handle exchanges and wholesales of these products. With proper authorization, we should allow certain livestock raising and processing enterprises which meet the required standards to export directly to the world market; in this way, our quality livestock products will help earn foreign exchanges for Guizhou Province. We should concretely develop the role livestock industry plays in promoting development of light industries, and exploit the role light industries play to

give impetus to further livestock industry development; we should unify the regulations, make rational distribution, and vigorously develop intensive and qualitative processing industries for livestock products, in particular give concrete support to the leather processing industry to raise its standard and quality, and finally create a mutually reinforcing and beneficial cycle linking the livestock industry with light industries. By intensifying reform of the production and sales system, and supporting development of the processing and sales enterprise, the government at all levels should as quickly as possible rectify the market development for Guizhou livestock products and the sluggish growth of Guizhou livestock products processing, take further steps to guide a majority of peasants toward the market, and gradually form a multi-level, multi-channel circulation system not lacking in linkage, and a system of utilizing relatively high levels of technology for processing rather high quality livestock products.

2) Speed up readjustment of production structure, vigorously develop system of economic fodder for livestock industry. According to changes in market demand and consumption pattern, further readjustment in the livestock production structure to take advantage of Guizhou resource advantages is the main route for accelerated livestock industry development in Guizhou. The directions in which the livestock production structure should be readjusted are: Stabilize production of hogs, vigorously develop production of beef, lamb and rabbits, accelerate production of poultry, eggs, dairy products and fish, and at the same time, develop high-quality, expensive or special varieties in livestock products, gradually establish a livestock raising structure which utilizes economic fodder, grass-grazing and commercial herding. At the end of the Eighth Five-Year Plan, the hog to market ratio should reach 65 percent; by the end of the Ninth Five-Year Plan, over 75 percent, of which the lean pork variety should be around 50 percent; by the century's end, beef and lamb to market ratio should reach around 15 percent and over 80 percent, respectively. Meat consumption of beef, lamb, poultry, and fish in Guizhou Province should proportionately be raised from 10 percent to over 20 percent. Structural readjustments should proceed by regional areas, and vigorous efforts should be made to develop livestock products in terms of name, quality, special content and rarity; we should carry out unification of scientific research, education and production, and combine the three ingredients of policy, material and technology and, through unified services, carry out "small-scale services for large components." Toward these goals, Guizhou Province beginning this year will emphasize construction of "3-12" projects within the province: i.e. construct 12 commercial beef (lamb) production areas, 12 commercial lean pork production areas, and 12 areas for ensiling green fodder for ammoniation and feeding livestock. By carrying out the "3-12" projects, we should raise 100,000 heads of oxen, 100,000 heads of sheep, 1.5 million heads of commercial hogs (of which, 750,000 of the lean pork variety), and realize a production output value of 100 million yuan.

3) Rationally develop and utilize sources of green fodder, vigorously popularize ensilage for ammoniation technology. Fodder depends on input of material which is of primary importance for raising livestock, and exploiting sources of green fodder provides the material foundation for accelerated development of livestock industry. To rationally develop and utilize resources of Guizhou grassland and to fully utilize sources of green fodder from agricultural crops of corn, wheat and rice, Guizhou provincial authorities have decided to allocate a 36 million yuan special fund to establish a series of high-standard fodder development test sites, and to strive to popularize its usage throughout the province within three to five years. Through planned establishment of man-made grassland, concrete steps to grow grass for cattle grazing, and continual strengthening, upgrading and fully utilizing the already established foundation of some 1 million mu of man-made grassland, Guizhou will promote a trilateral structure of developing "food crops-fodder crops-economic crops," and seek to reach by century's end the goal of establishing 5 million mu of man-made grassland. We will continue to perfect fodder processing, and to popularize and fully utilize resources of patties, husks and chaffs from farm crops.

4) Promote cattle raising and fishery through science and technology, speed up establishment of system of scientific and technical services. To speed up development of livestock industry, science and technology must take the lead; we should generally popularize livestock raising through appropriate science and technology. At present, the crux is to take hold of the "two establishments," one being the establishment of a base for fine livestock breeding. To import fine breed of livestock, to raise and popularize them are the main thrust of using science and technology to develop livestock industry; at the province level, a fine livestock breeding ground should be established; at the regional, local and municipal levels, the new breed of livestock should be raised, and the products sold through markets set up at the county level, so that within the Eighth Five-Year Plan period, we will gradually establish a system of breeding and raising livestock at provincial, regional and county levels. We should also ensure that the work to popularize fine livestock breeding will be properly carried out at the county and below-county levels, that appropriate technology which is demonstrably effective in increasing production will be popularized, and that proper training in the technology will be given in order to raise the scientific standard of livestock raising. The second "establishment" is establishment of a system of technical services, which serves as a bridge not only to promote livestock industry but also to guide peasants toward the market. In the process of establishing and perfecting a system of technical services for the livestock industry, the government at all levels and concerned departments should conscientiously carry out the policy of "not changing the nature of enterprise or the top to bottom supervisory channel, not changing the financial and administrative costs involved, and not changing the normal salaries and costs for technical services incurred," so as to stabilize

and strengthen the teams engaged in providing technical support and services, to maintain integrity of the organization, and to provide stability for the staff and in the required expenditures.

5) Increase input through multiple channels, strengthen after effects of livestock industry development. Enlarging the channels for capital investment and increasing inputs in livestock and aquatic production, strengthening establishment of infrastructure facilities and key projects, these are measures which must be adopted if the Guizhou livestock industry were to develop in any significant way. The government at all levels will need to strengthen their guidance and organization, mobilize the enthusiasm of the peasant masses to contribute labor and capital, allow livestock owners free rein to invest in the industry, and encourage more input from collectives as well as individuals; finance departments and banks at each level should gradually increase the proportion of capital allotted for raising livestock, and make sure that the funds reach the recipients in a timely manner. In order to ensure a stable source of investment capital for livestock and aquatic enterprises, provincial, regional and county authorities should quickly establish development funds for livestock and aquatic productions by taking some of the following steps: First, include the equivalent of 1 percent of the prior year's total livestock and aquatic production value as development fund in the current year budget at the province, region and county level; second, set aside for development fund a fixed proportion of the turnaround capital allotted by provincial, regional and county authorities for agriculture; third, allocate a fixed amount for development fund from slaughtering taxes and commercial taxes collected on raising livestock; fourth, collect a fixed amount of technological improvement fees for livestock raising from buyers and sellers of livestock; fifth, raise a part of the capital for this purpose from various other channels. Raising, managing and utilizing the development fund will be the responsibility of concerned government departments at each level, so long as the fund will be used to carry out key projects in livestock and aquatic enterprises and to establish infrastructure facilities and popularize new technology. The management departments of livestock enterprises will need to cooperate fully with government departments of revenue, taxation, finance, commerce and industry to satisfactorily carry out their tasks, to identify sources of capital from various channels and to ensure that the development fund will be put to good and effective use. At the same time, we should also coordinate [allocation of] capital to subsidize needy enterprises, expenditures for assistance to minority peoples, capital for comprehensive agricultural development or capital paid for by labor, and ensure that a fixed proportion [from each category] is devoted to developing livestock raising and aquatic enterprises. We should encourage enterprises, including individual enterprises to develop fodder field, and to unify operation which combines developing a livestock production base with livestock processing projects. We should take concrete steps to attract foreign capital in order to

establish foreign-funded or sole-source investment enterprises, and to develop stockholding enterprises in order to promote development of livestock industry.

6) Further strengthen leadership in order to ensure that policies and regulations for developing livestock industry are practical and will be realized. The government at all levels should fully recognize the strategic position that livestock industry occupies in Guizhou's economy, and seriously consider livestock industry as a breakthrough point for achieving high-yielding, high-quality and high-efficiency agriculture in Guizhou. The livestock industry and rural enterprises are the two pillars which support overall rural economic development and which also help peasants to become moderately well off. The government at all levels must clearly designate a leader to take special charge of livestock and aquatic production, similar to the "vegetables basket" projects being the continuing responsibility of a mayor, and by including livestock development responsibility in his management objective, he will periodically be held accountable. The government at all levels will have to strengthen macroeconomic controls over development of the livestock industry, prescribe regulations, ensure adherence to standards, and periodically summarize and popularize exemplary experiences ranging from production to sales, and through each and every cycle emphasize the need of grasping the tasks and doing them well. We should continue to carry out various preferential policies to support development of the livestock industry. To encourage all enterprises and those in all walks of life to vigorously support development of the livestock industry, the provincial government has decided to institute a province-wide "Gold Herdsman Cup" contest beginning in 1993 to give recognition to the organization unit or individual who will have made the most notable contribution to livestock industry development. The specifics will be worked out by the provincial agricultural bureau.

Heilongjiang Corn Exports to Japan

94CE0181J Harbin HEILONGJIANG RIBAO in Chinese 10 Nov 93 p 1

[Summary] On 30 October, Heilongjiang Province shipped 1,500 tons of corn to Japan.

Heilongjiang Issues IOU's to Farmers

94CE0181B Harbin FENDOU in Chinese No 10, Oct 93 p 12

[Summary] According to statistics of concerned departments, as of 21 April Heilongjiang Province owed grain, beet, flax, tobacco and dairy farmers 640,280,000 yuan, about 160 yuan per household, and 40 yuan per person. Some of the debt is three to four months old, and some exceeds two years. IOUs have been issued throughout the province.

Hunan Grain Storage

94CE0181L Changsha HUNAN RIBAO in Chinese 6 Dec 93 p 1

[Summary] As of 25 November, Hunan Province had put 2.085 billion kilograms of grain in storage, of this amount 1.24 billion kilograms were contract orders, accounting for 38 percent of the procurement task for 3.31 billion kilograms.

Analysis of Jiangsu Water Resources

94CE0130A Nanjing XINHUA RIBAO in Chinese 12 Oct 93 p 7

[Article by Song Beichen: "Experts and Professors Analyze Jiangsu's Water Resources"]

[Text] With the Jiangsu Province scientific commission as organizer, nearly 100 experts and professors in the fields of irrigation and water conservancy, lakes, environment, geography, agriculture, and industrial economics and other fields have identified existing problems in our efforts to comprehensively develop and use water resources. They put forward relevant measures to tackle problems. After over two years of scientific investigation and efforts to provide analysis and supporting arguments, they warrant society's attention.

Water Resources Are Abundant but Also Insufficient in Jiangsu

On the whole Jiangsu enjoys abundant rainfall; the province's average annual precipitation is 800-1,100 mm. The Chang Jiang runs across the province and ends at the sea. Jiangsu is densely populated with lakes, ditches and canals crisscross the land, thereby giving the impression that this is a region of plains, lakes, and rivers. But after many years of production practice, people have gradually realized that water resources are on the one hand abundant, but on the other hand also insufficient in the province.

While the precipitation level is high, the amount of water generated is low. For many years, average annual precipitation has been 996 mm, representing 101.7 billion cubic meters of water. Because the land is flat, the evaporation level is high. The province's annual precipitation runoff amounts to 24.9 billion cubic meters, representing only one-fourth of the precipitation. Because the land is flat, it is impossible to build high-dam reservoirs. Lakes on the plains are characterized by small water-level changes, resulting in low regulating capacity, and are thus not enough to make up for the deficiency caused by the radical fluctuations in the amount of water available. In time of flooding, it is necessary to carry out large-scale draining operations, while in time of drought there is no water to provide help. The land is densely populated, and the ratio of cultivated land to the total area of the province is high. Industry is developed, and the relative insufficiency of water resources becomes even more prominent. According to calculations of the province's precipitation

runoff, surface water resources total 24.9 billion cubic meters; if shallow-level ground water is also counted, water resources total 34.7 billion cubic meters. Thus, the per capita amount is only 558 cubic meters, which is much lower than the national per capita amount. At the same time, the problem of uneven geographical distribution of water resources is very prominent. Under the new situation a new problem has emerged; that is, the situation regarding water resources is not in line with land resources. While there is little room to expand cultivated land in water-rich regions, land urgently in need of development has water source shortages. Thus, the water resource situation has become a main factor constraining our economic and social development. Conflicts caused by the fight for water between industry and agriculture and between irrigation areas to be developed and existing irrigation areas are intensifying.

Further Develop and Rationally Use the Chang Jiang and the Water Network

Our advantage lies in the abundant water provided by the Chang Jiang and a developed water network. The experts and professors argue that it is necessary to make further developing and rational use of the Chang Jiang the main strategic measure to solve water resource problems. Because Jiangsu does not have high-dam reservoirs with high regulating storage capacity, the total storage capacity of the existing 1,078 large, medium-sized, and small reservoirs is only 3.56 billion cubic meters, but the carrying capacity of the entire river network has also reached 3-4 billion cubic meters. It is rare among the provinces and autonomous regions in the country that the river network's carrying capacity is similar to the total storage capacity of reservoirs. Jiangsu constructed ditches in ancient times and formed a river network in the 1960s. These projects and other water conservancy projects have given Jiangsu the ability to link up rivers and lakes with each other, the Chang Jiang with the Huai He, and local water sources with outside water sources, so that these water sources can support each other. To combine our unique weakness with our unique strength and to exploit this combination is also an important strategic measure. This combination can enhance regulating storage, and on the basis of appropriate deployment, can resolve to some extent problems of uneven temporal and geographical distribution of water resources. The experts suggest that Jiangsu make further efforts to formulate and perfect relevant laws, regulations, and policies to ensure that water conservancy construction receives financial input from the localities, and persist in collecting water resource fees, otherwise there is no way of ensuring continued use.

Control Pollution and Improve Water Quality To Protect the Environment

The amount of waste water and sewage in Jiangsu (6.581 million metric tons per day) is the second largest among the provinces, municipalities, and autonomous regions in the country, and is next only to that in Sichuan (7.93 million metric tons per day). According to data based on

the monitoring of 224 river sections in Jiangsu, seriously polluted and rather seriously polluted river sections accounted for 33 percent of all the river sections evaluated in 1981, and increased to 50 percent in 1985. And is even more serious today.

According to results of synchronized quantity and quality evaluations of water resources, polluted water (3-5 degree) accounts for 22.13 percent of the total amount of water, which is 100.8 billion cubic meters. Evaluation of drinking water shows that 25-44 percent of the drinking water in the province is unhealthy. Consequently, the experts argue that it is necessary to formulate different improvement targets and pollution-control plans in view of the fact that different water expanses are involved and on the basis of taking account of the differences in function, in the degree of pollution, and in development needs. With regard to industrial cities, in conjunction with comprehensive urban improvement and technical renovation, gradually resolve the financial, technological, and implementation problems relating to factories' sewage treatment and the establishment of concentrated sewage treatment plants, through the use of the method of combining state investment, fund gathering, and policy measures; resolutely control the amount of sewage released, and strictly enforce the "Water Law" and the "Environmental Protection Law," truly acting in accordance with the law.

Establish a Water-Saving Economic Structure

Currently, water resource shortages coexist with water resource waste. The situation of water waste is very prominent in some localities and industries in Jiangsu. In terms of industrial water use, many industries in Jiangsu compared with industries of the same types and scales in North China, are in general characterized by higher per unit water consumption and by lower water reuse rates.

In terms of agricultural water use, many localities in Jiangsu do not grow crops which are different in the amount of water needed in view of differences in the amount of water available. Some regions where surface water is insufficient but ground water can be developed, still refuse to mainly rely on ground water irrigation. They stop using water wells built over many years, and spend a great deal of project investment money and use a great deal of electricity to use water from canals. The experts emphasize that Huaibei has great potential to greatly increase grain output, but must be based on increasing the sown area for rice and on scientific supporting analyses of issues such as that of ensuring the availability of water sources.

In view of the need for rational water use and resource conservation, Jiangsu should strictly control the amount of deep-level ground water extracted, impose restrictions on excessive concentrated industrial extraction, and try to ensure that high-quality deep-level ground water is as much as possible used as drinking water. At the same

time, it is necessary to appropriately develop shallow-level ground water; and develop well-water irrigation in regions rich in shallow-level ground water to reduce the amount of Chang Jiang water extracted. This requires further effort to study planning, policy, and technological measures, so as to have the industrial structure and investment policy that are conducive to saving water.

Liaoning Sets Grain Purchasing Policy

94CE0150B Shenyang LIAONING RIBAO in Chinese
22 Oct 93 p 1

[Article by Liu Yan (0491 3601): "The Provincial Government Sets This Autumn's Grain Purchasing Policy, With Peasant Sales of Contract Grain To Be Purchased at Guaranteed Prices and Nonprice Markups"]

[Text] I learned from the recently ended provincial grain-work conference that the provincial government has set this autumn's grain purchasing policy.

Beginning with 1993's autumn grain marketing, Liaoning is completely changing its former assigned fixed-quota grain purchasing to business-contract purchasing. Moreover, it is instituting provincial-set guaranteed prices and nonprice markups, with the scope remaining at the province's grain-volume market plans for the 1993 spring season, and grain varieties also unchanged from those stipulated for 1992.

Guaranteed prices for standard varieties of business-contract grain are: per kg, 4 jiao for corn and 7 jiao for rice, with the grade price-difference rate set by the state. When market prices are lower than guaranteed prices, grain enterprises will purchase from peasants at guaranteed prices plus nonprice markups. As the State Council's originally set linking to chemical fertilizer and diesel oil for the spring of 1993 was changed from complete payment of nonprice markups to partial payment in kind, with some payment of price-difference sums, the particular standards for nonprice markups are: the original per-kg markup for corn of 8.4 fen is changed to 6.4 fen, with the per-kg markup for rice changed from 7.28 fen to 5.28 fen, and these sums to be paid by grain-purchasing enterprises when purchasing peasant contract grain. In addition, all 2-fen markups per kg of corn and rice are changed to payment in parity-price chemical fertilizer, with peasant sales of 50 kg of business-contract grain (coarse food grains) being paid for with 3.7 kg of parity-price standard nitrogenous fertilizer. Grain purchasing departments will issue specific grain-sale documents based on amount of business-contract grain purchased from peasants, which peasants will use to purchase parity-price chemical fertilizer at local supply and marketing departments.

In this autumn grain purchasing, all areas will implement State Council provisions to the letter, by conscientiously resolving purchasing-fund matters, settling with each peasant in cash, and absolutely not handing out IOUs. Except for farm taxes and set advance-purchase funds, grain departments may not deduct any other sums on

behalf of any department. Grain purchase funds must be in special savings accounts with specific funds for the particular purpose, with the banking sector cooperating by managing these special funds.

Along with grain purchasing, we will operate through diversified channels. Grain department purchases of contract grain and negotiated-price grain can occur simultaneously, with grain beyond business contracts being purchased per market conditions.

As to state grain-export plans, until state policy has been revised, directive plans will continue, with current subsidization methods unchanged. Military grain supply will continue at former selling prices, with negotiated price-difference sums being the responsibility of local revenues.

In order to tighten macroeconomic regulation and control over grain, we will set up a grain-reserve and venture-fund system, which will begin in 1993 and be implemented by all areas.

Ningxia Grain Output

94CE0181M Beijing ZHONGGUO XINXI BAO
in Chinese 19 Nov 93 p 2

[Summary] This year the gross output of grain in Ningxia reached 2,034,000 tons, an increase of 176,000 tons over 1992.

Shandong Hog Stocks in Third Quarter

94CE0181I Harbin HEILONGJIANG RIBAO
in Chinese 20 Nov 93 p 8

[Summary] In the third quarter, Shandong Province had 19,490,000 hogs in stock, a slight decrease from the same period in 1992. The number of sows declined by 1.4 percent. By the third quarter, the provincial food system had procured 1,934,600 hogs, a 70 percent decrease from the same period in 1992, and sold 1,191,400 tons of pork, a 27 percent decrease. Shandong shipped 95,000 tons of pork to other provinces, an 18 percent decrease, and exported 2,947 tons of pork, a 36 percent decrease.

Sichuan Investigates Peasant Burdens

94CE0073A Beijing NONGMIN RIBAO in Chinese
14 Oct 93 pp 1, 4

[Article by Liu Jiang: "Peasant Burdens Remain Heavy, Investigation Report on Burdens of Sichuan Peasants"]

[Text] Not long ago, the State Council organized a law enforcement inspection team on peasants' burdens to tour various localities throughout the country to check how the policy and regulations formulated by the CPC Central Committee and the State Council on energetically reducing peasants' burdens are being implemented in different places at present. We at NONGMIN RIBAO also sent out several reporters to join the team. They extensively covered various localities and used their eyes

and ears to gather first-hand information on this subject, and wrote some reports. The broad masses of readers, particularly the peasants, are welcome to write letters or call us by phone to talk about their burdens, join us in making these reports a success and make contributions to implementing the policy laid down by the central authorities on reducing peasants' burdens.

In September, our reporter went to China's largest province, Sichuan, to find out more about peasants' burdens—an issue of great concern among the people. It is gratifying to learn that the task of limiting all charges imposed on peasants not exceeding 5 percent of their net income as specified by the State Council has been basically fulfilled, and there is a trend that charges on peasants will drop in each year. Document No 10 of the General Office of the CPC Central Committee was officially made public in July. It demanded that 37 fees be abolished and the 43 funding programs which have already achieved their goal be canceled in rural areas. The great majority of the fees have been dropped in Sichuan's rural areas. A few fees which have not been abolished are being sorted out and rectified.

Ordinarily, peasants' burdens should be greatly alleviated after the cancellation of the fees and funding programs. However, the actual situation is not as optimistic as we imagine. In various localities where our reporter visited, many peasants still grudgingly complained about the burdens which should have been reduced but are still imposed on them. They accused some individuals, organizations or government departments of exploiting them and collecting fees at random.

Teacher, You Should Not Do That

After losing a pen, a preschool teacher in a village primary school in Hesheng Township in Wenjiang County asked each pupil to contribute 0.2 yuan to help the teacher buy a pen.

A village primary school in Yuxi Township in Zizhong County asks each pupil to raise two young chicks at home for the school at the beginning of each semester. At the end of the semester, each pupil is expected to bring two chickens back to school. If the chicks die during the school year, the pupil must replace the dead ones with their own. This is called a work-study program. Even worse is the fact that preschoolers are also required to join the work-study program. What can a six-year child do? All right, each preschooler only needs to pay 5 yuan.

At the end of 1992, parents of students in a certain primary school in Sanjiao Township in Jingyan County received blank order forms from the school, asking each of them to buy 30 yuan worth of merchandise at the school's retail department. Parents who refuse to buy find their children's school admission revoked.

Primary schools in a rural areas of Sichuan generally charge students a "meal-heating fee." It means that when students bring their meals to school, the school is responsible to heat the meals for them. The school collects 3 to

5 yuan from each pupil. It is learned that some schools do not heat meals for the pupils, but they charge "meal heating fees" just the same. In some schools, pupils' homes are only 200 meters away from the school. Actually they can go home and eat, but they must have their meals heated in school.

Some people jokingly said: "Poverty gives rise to a desire to change." The teachers are so poor that they arbitrarily collect fees.

During the investigation on peasants' burdens, peasants complained most about educational burdens. It is learned that each primary school pupil pays tuition and miscellaneous fees ranging 75 to 105 yuan, while a junior middle school student 95 to 150 yuan. This amount will be much higher if these arbitrary and irrational fees are taken into consideration. To educate their own children to become a generation of knowledgeable young people, peasants have to assume heavy financial and mental burdens.

Should Fees Be Collected for Such Items?

In a village, two families fought with each other for a reason. A village cadre rushed to the scene on time, and painstakingly did some meticulous ideological work. He finally made them bury their hatchets. The two families shook hands and made peace. They talked to each other and agreed to give this village cadre 50 yuan from each family, calling their contribution as a "dispute mediation fee." This is a true story which happened in a certain village in Xinjiao Township, Zizhong County. Later, this practice has become an unwritten village regulation.

Here is another true story. A township in Jingyan County often organizes a special fee-collecting team composed of township and village cadres, when it deals with some individual families that are reluctant in making payments. The family which the team called on must offer lunch to the cadres and give each of them 5 yuan as "cadres' allowance for loss of working time."

In another village in Zizhong County, villagers must request the villagers' committee to issue a certificate of being single, before they can leave the village to work elsewhere. This procedure is aimed at preventing them to have babies born in other localities to avoid the planned parenthood program. They need to pay a 10 yuan service charge for each certificate issued.

Xiao Xu is a 23-year old young man in Guangshui Village, Hesheng Township, Wenjiang County. In March 1993, he cheerfully went to the villagers' committee to apply for a marriage license. After collecting a service charge of 0.50 yuan, the committee inadvertently listed his year of birth as 1972 instead of 1970, the year when he was actually born. He went to the township government to have the wrong year of birth corrected. When the township government issued a certification of age correction, it asked him to pay 2 yuan as "fee for age

correction." Xiao Xu did not understand. It was your mistake for putting in the wrong year of birth. How can you charge me for it?

Does Postal Reform Mean Fees?

Xiao Tang is a young peasant in Xinjiao Township in Zizhong County. To help him make wedding arrangements, his sister who worked in Guangdong remitted 1,000 yuan to him. After collecting a service charge of 0.20 yuan, the Xinjiao Post Office paid him 800 yuan, and informed him that the remaining 200 yuan would be kept in the post office as a six-month time deposit under his name. I do not want to deposit money in your post office, and I want the money, said Xiao Tang furiously. The postal clerk said that you should consider yourself lucky. In the past, those who drew money from us were given treasury bonds!

There is a new reform measure in Sichuan Province. It is called "charges for extended postal services." To deliver mail on time to peasants living in remote hilly areas, various localities in some counties in Sichuan Province have been selected to carry out experiments in this connection. The township postal office hires people to directly deliver mail to such peasant families. It usually charges 0.15 to 0.25 yuan for ordinary mail, 0.25-0.80 yuan for registered mail, approximately 0.50 yuan for each postal remittance and 0.30 yuan for a telegram. The 0.20 yuan service charge which was paid by Xiao Tang in the preceding paragraph was actually the "charge for extended postal services."

This kind of postal reform is naturally good, but the actual situation is far from what was originally planned at the beginning of the reform. It is our reporter's understanding that in most of the townships and villages, fees are not collected at the time of mail delivery. Peasants usually come to the postal office to pick up the mail and need to pay this fee in the office as if mail is delivered to them at home. The reform program finally is a fraud. No wonder peasants said with a sigh: "Postal reform means fee collection."

Our reporter checked documents on postal reform in Sichuan Province. He found that actually Zizhong County and Jingyan County are not on the list of counties where this kind of reform program should be carried out. However, these two counties have already energetically carried out the so-called reform program. The central authorities have worked out many good policies. How fortunate we are, if everyone implements them consciously like what these two counties do!

So Many Fees in Riding Marriage Wagon

Xiao Wu in Tianyun Township in Jingyan County told our reporter that he got married this year. His wife originally lived in Tianle Village, Fenquan Township in the same county. At the time of the wedding, his fiancée paid a 0.50 yuan service charge for the marriage license and another 0.50 yuan for the transfer of her household registration. Finally she had to pay 5 yuan for a good

fortune lottery ticket. It is sure that no one is going to win this lottery, but who dares to refuse buying this ticket, said Xiao Wu.

Charges for riding the marriage wagon is one of the items that peasants complain of most. For example, the State Council ruled that only checkups for venereal diseases and leprosy are needed for any rural wedding. However, a general physical examination is needed for this kind of occasion in many localities. The couple must pay 14 yuan for their checkups. As if this is not enough, they need to pay an additional 2 yuan for a special eugenics checkup.

In applying for a marriage license, applicants must also pay a cash deposit for birth control, only child insurance fee, notary fee for planned parenthood contract and so on. In some localities, the applicants are forced to pay for a pregnancy test. Finally, you need to buy two copies of a book, called "Knowledge for the Newly Wed." Isn't one copy enough? No, not enough. The bride and bridegroom must read the book separately. Isn't that funny?

An account on wedding shows that in getting married, a couple in Sichuan must pay about 100 yuan. The two marriage licenses cost as much as 9 yuan. Arbitrary charges for riding the marriage wagon become the second largest burden for the peasants, only next to that of education.

Peasants Remains High Priest Tang's Meat. Whoever Wants To Eat It Can

Document No 10 issued by the General Office of the CPC Central Committee explicitly announced the cancellation of three types of fees—"Fee for Use of Land for Rural Residence," "Fee for Occupying Extra Land for Rural Residence," and "Land Registration Fee." However, there are some localities where such fees are collected under other names. In a certain township in Zizhong County, the state land office in the township charges 2.7 yuan per square meter, when peasants want to have their houses rebuilt on the same site. If they wish to repair their houses for business use, they will be charged 5 yuan per square meter, called a "house remodeling fee." If peasants want to build their houses higher, they will be charged "space fee." In a certain township in Jingyan County, peasants must pay one yuan per square meter if they wish to rebuild their thatched cottages into tile-roofed houses. Even the county's state land office does not know what this fee is called.

A peasant named Wang in a certain village in Wenjiang County's Yongsheng Township told our reporter that when he was admitted into a county hospital this year, he had to pay 10 yuan of medical liability insurance fee to the hospital registrar. He did not get any receipt. The hospital should assume medical liability. Why should a peasant pay for this liability insurance?

Although the government policy repeatedly emphasizes that the purchase of insurance is voluntary. No one should be forced to buy insurance. However, actually it

is not so. In Sichuan's countryside, the following insurance programs are compulsory. Middle and primary school students must pay 5 yuan per person for personal safety insurance which is included in the tuition and miscellaneous fee. When a couple register for marriage, they must pay 14 yuan per person for "insurance covering a family's only child and mother." The child is insured until he or she is 14 years old. After that the insurance covers the mother. No one dares to refuse buying the insurance, since the premium must be paid when the couple register themselves for the marriage. The long-term insurance for a farm house is 20 yuan per family.

Task Arduous, Road Long in Alleviating Peasants' Burdens

Peasants are not well-to-do, but some people and departments are always thinking of some plans to fleece the peasants and make themselves rich by increasing peasants' burdens. Meanwhile peasants themselves also lack knowledge and the ability to protect themselves. From the questionnaire distributed among 108 peasant households in Sichuan not long ago, the State Council Inspection Team on Peasants' Burdens found that 69.4 percent of the peasant households did not know that they only need to contribute up to 5 percent of their net income to various funding activities and donation campaigns, 36.1 percent of them knew nothing about the cancellation of 37 charges, and 39.8 percent of them were unaware of the abolition of 43 funding programs announced by Document No 10 of the General Office of the CPC Central Committee. This has precisely made things easy for the relevant departments and officials to collect fees at random.

The task is arduous, and the road is long in alleviating peasant burdens.

Ministry Official on Structural Reform

94CE0029A Beijing ZHONGGUO NONGJIHUA BAO
in Chinese 1 Sep 93 p 1

[Text] How should departments in charge of agricultural machinery management adapt to the needs of socialist market economic development, and in the midst of the reforms transform their functions and management relations and increase efficiency? Alongside the continuous, highly publicized push for reform on the part of the ministries and commissions under the State Council, the thinking behind the reform of departments in charge of agricultural machinery management has become clear. On 23 August, this reporter interviewed Song Shuyou, director of the Agriculture Ministry's agricultural mechanization department.

[Mo Xiaoming] Director Song, in the most recent reforms instituted by the State Council on administrative and management systems and government departments, the Agriculture Ministry has been preserved, so will departments in charge of agricultural machinery management also be preserved?

[Song] China's departments in charge of agricultural machinery management have had a historical evolution. As far back as the early period of the People's Republic, the Agricultural Apparatus Bureau was established, and in 1953 it was changed to the Agricultural Machinery Management Bureau. Subsequently, changes were made in jurisdiction and organizational setup. Even though historically, departments in charge of agricultural machinery management have changed frequently, they have retained all of their functions. With their division of tasks clearly defined, the departments in charge of agricultural machinery management have thus been run by the [nong kou] most of the time. Departments in charge of agricultural machinery management have played a major role in promoting China's agriculture and developing mechanization of state-run farms. At present, China's total agricultural machinery power is more than 300 million watts, and the fixed capital output of agricultural machinery is more than 120 billion yuan, which accounts for one-fourth of agriculturally related fixed output. A relatively high degree of mechanization has been achieved in all major agricultural operations. Machinery accounts for more than 40 percent of agricultural labor, and a fairly complete system of scientific research, education, sales, appraisal, promotion, repair, and use management has been formed. Various social service organizations have been strengthened, and the agricultural mechanization brigades now have more than 26 million people. Agricultural mechanization has already become the primary factor in integrated agricultural production, and is also the main force behind agricultural modernization. Further developing its function and gradually increasing the level of mechanization will yield great benefits in strengthening the foundational position of agriculture and increasing the capacity for consolidated agricultural production. It is on the basis of these benefits that the fifth plenum of the 13th Central Committee and the eighth plenum of the 13th Central Committee called for "advancing agricultural mechanization." In December last year, Premier Li Peng wrote the following inscription for the national work conference on agricultural management: "Develop agricultural mechanization, promote the rural economy."

As the rural economy gradually enters the market, government departments should be asked to strengthen macroeconomic control, perfect mechanisms for developing agricultural mechanization, and at the same time expand the service sector.

Because agriculture holds a foundational position in China and because of its inseparable relationship to agricultural mechanization, departments in charge of agricultural machinery management must be relatively stable and ensure the healthy development of agricultural mechanization, and must expand their role in agricultural production. New circumstances also mean that the new task of agricultural mechanization has an even greater need for fair and scientifically instituted departments in charge of agricultural machinery management and further perfecting of their functions. As a

result, departments in charge of agricultural machinery management can be fully preserved.

[Mo] What are the current problems in instituting departments in charge of agricultural machinery management?

[Song] One is insufficient unity between macroeconomic management functions and areas under their jurisdiction. In forming a unified management department, some aspects of agricultural management have been dispersed to other departments, and agricultural, livestock and fisheries machinery have been combined under the same management. The second is that there are no longer any so-called technical service functions or functions concerning concrete matters within the administrative functions. The third is that the functions we need to strengthen, such as communications, still have a relatively weak effect on the machinery market, etc.

[Mo] How have the responsibilities of departments in charge of agricultural machinery management changed as a result of the reforms?

[Song] Agricultural mechanization departments have been renamed agricultural machinery management bureaus (pending approval). They are responsible for the unified department in charge of managing agricultural, livestock and fisheries machinery nationwide, and establishing agricultural facilities and agricultural aviation. Their main functions are: responsibility for planning agricultural mechanization, carrying out agricultural projects, planning development of agricultural aviation, formulating policy, laws and regulations, standardized methods and supervising their implementation; overseeing testing and appraisal of tractors and other agricultural machinery, quality control, safety inspections, expansion of scientific research, service and supply, and adult education, and planning, distribution and management of diesel oil for agricultural use and disaster relief, repair materials and other goods, and the implementation of agricultural projects and agricultural aviation; guiding the establishment of an agricultural service sector and economic activities of enterprises under the agricultural machinery management system, and readjusting the affiliations of some departments within agricultural enterprise work units.

[Mo] Could you explain specifically which functions should be shifted, which should be strengthened, and which should be increased?

[Song] The functions that should be shifted are:

Initial research into regulations on managing agricultural mechanization; specific organizational work to promote agricultural mechanization technology and inspection of projects; developing and testing agricultural machinery assembly and control technology; compiling and disseminating educational materials on agricultural machinery safety, scientific knowledge, repair technology, creating

standards, and organizing appraisal and approval activities, initial demonstration of major scientific and technological development projects on agricultural mechanization; organizing compilation and dissemination of adult education materials on agricultural mechanization, initial research into teaching tools, promoting demonstrations and other activities.

The following functions should be strengthened:

Researching and instituting laws and regulations governing management of agricultural machinery; supervising creation of policies favorable to agricultural mechanization; establishing a communications network and doing statistical work for the agricultural machinery management system; managing safety supervision of drivers and operators of agricultural machinery and instituting measures that reduce the number of accidents related to agricultural machinery; quality control of agricultural machinery (whole machinery and parts), including testing and approval of agricultural machinery and inspecting quality in the agricultural machinery market; overseeing the quality of agricultural machinery repair and managing the industry; planning and supervising distribution and use of diesel fuel for disaster relief; strengthening and perfecting the storage, distribution and supply of diesel fuel for agricultural use; promoting transfer of achievements in agricultural machinery science and technology to the field of agricultural production; macroeconomic management and supervision of adult education on agricultural machinery and overseeing educational quality; engaging in international cooperation on the scientific, technological and economic aspects of agricultural mechanization.

In addition, we must add the following functions:

Macroeconomic management and supervision of agricultural aviation, managing agricultural facilities projects, developing and planning the agricultural machinery management enterprise system and researching policies, supervising and managing (and setting up) the agricultural machinery management system, macroeconomic supervision of the establishment of an agricultural machinery service system and adjusting policies; overseeing the quality of agricultural machinery operations in the field; managing international cooperation projects on agricultural machinery; managing the finances of units under the agricultural machinery enterprises.

In sum, amidst the systemic reform of the agriculture ministry, the mechanisms of agricultural machinery management must be preserved administratively, their functions must be strengthened, and relationships must be put in order.

As the reforms continue and as the agricultural machinery management system transforms its functions and strengthens macroeconomic management, we must be sure to strengthen investigation and research into the new circumstances and new problems of agricultural

mechanization within a new economic system, and promote agricultural mechanization.

Problem of Poor Quality Seeds

94CE0043B Beijing JINGJI RIBAO in Chinese
29 Sep 93 p 1

[Article by Liu Xianghong (0491 0686 4767): "Where Do Fake and Inferior Seeds Come From?"]

[Text] We have a saying "plant melon and you get melon, plant beans and you get beans." But on the outskirts of Yangquan, Shanxi, a farmer planted 320 mu of pole beans and grew only vines, no blossoms, not to mention produce. Vegetable farmers in Anhui Province last year sowed 2 million mu of rapeseed resulting in a sterility rate of more than 30 percent and causing them to sustain more than 40 million yuan in losses. Incidents of fake and inferior seeds cheating and harming farmers occur repeatedly, making the hopes of numerous farmers for a bumper harvest vanish!

Let us review a few figures. In 1992 Handan City, Hebei Province, seized 8,000 kilograms of fake cotton seed and 12,000 kilograms of fake corn seed; in Shandong Province, Shouguang County uncovered 25,000 kilograms of expired cotton seed and Kenli County seized 470 tons of fake or inferior seed; and Anhui Province seized and dealt with 850 tons of fake seed.... That year the state industry and commerce management system seized a total of more than 9,700 tons of fake and inferior seeds.

These startling figures show that the serious danger from fake and inferior seeds is by no means limited to a few score households. The hundreds of households damaged, and greater than that, the erosion of the national economic base, are a threat to the stability and development of agriculture. Therefore, striking the source of the false blockage has become an important mission for maintaining and consolidating the national economic base. Where after all is the source of fake and inferior seeds?

China is a large agricultural country and there is a very great need for seed. In addition, business profits from seeds are not small and the drive for profits causes several units and individuals that really should not be in the business to enter the seed market one after another. For example, Hunan Province has several thousand units and individuals in the commercial seed business. The PRC Seed Management Regulations stipulate that units and individuals must have a seed production permit from the department in charge of agriculture in the people's government at the county level or above and a seed business permit must be approved and recorded at the industry and commerce administrative management department to obtain a business license before they can produce and sell commercial seed and the seed that they sell must have a seed quality certification attached. However, some units and individuals see profits and forget justice and violate rules and regulations and produce on their own and go into business without license or permit, considering second rate good enough

and mixing the fake with the genuine to seek exorbitant profits from it. This is the greatest source of fake and inferior seeds.

Not understanding or not respecting scientific laws, and carelessly drawing and carelessly mixing, are also causes of good seeds becoming poor and the true becoming false. Seeds are unlike general production materials. They have strong regional characteristics and different varieties are suitable to different regions. This is closely related to such factors as the growth seasons of various localities, the so-called "tangerines grown south of the Huai are tangerines [jie 2720], tangerines grown north of the Huai are trifoliate oranges [zhi 2663]." For example, Liaoning's growing season is longer than Heilongjiang's. So, if a variety suitable for planting in Liaoning is taken to Heilongjiang and planted, the crop will be hit by frost before it matures and a good quality variety would have difficulty escaping the misfortune of frost. Last year 3,550 excellent Guangdong hybrid long-grained nonglutinous rice shoots sensitive to the sunlight were produced in Zhejiang. The seeds should have been transferred back to Guangdong's tropical region for planting, but some people in that region sold them as excellent nonglutinous rice number 10, causing 5,000 mu of Zhejiang's late hybrid paddy not to form an ear, reducing the yield by 1.7 million kilograms, and causing losses of more than 1 million yuan.

As much as 20 percent to 30 percent of the factors in increased agricultural yield can be attributed to the use of new high-grade varieties, but the disease resistance of new varieties must be tested for three to five years. So, only new varieties that have undergone two to three years of regional testing and one to two years of test production and have been tested and approved at the provincial and national levels are permitted widespread production. Some scientific research units eager for quick success and instant profit make use of the farmers' yearning for high-grade new varieties and are eager to popularize new varieties that have not undergone sufficient testing. As a result, they can, knowingly or unknowingly, act as propagators of inferior quality seed.

In addition, there are slip-ups in such sectors of seed market management as production, purchase, sales, and checking. In 1989 the State Council promulgated a seed management regulation, but seed management departments as sound and independent law enforcement forces still have not been fully established. So, the prestige and force of oversight and law enforcement are still far from sufficient. Seed stations and seed companies at various levels are forces with two signs. On the one hand, they are the main channel of the seed business, and on the other hand they also still retain some control functions. Without a clear separation of functions, it is difficult to avoid having checks that are not strict and dereliction of duty, affecting fair and objective law enforcement and providing lawless people who are out for themselves the opportunity to indiscriminately sell inferior seeds.

As far as inferior seeds directly harming the farmers is concerned, a lack of a sense of self-protection is also an important factor creating the flood of inferior seeds. Quite a few people would rather believe some "able persons" who rave about a "new" variety or an advertisement that makes blandishments about it than go to a seed company or an agricultural technology information station to consult. They do not know that to produce and sell seeds it is necessary to have "three permits and one license," and they do not know that to purchase seed a negotiable instrument is required. As a result, when they are cheated, the word of mouth is unreliable, there is no perpetrator for the injustice and no debtor for the debt, and no way to claim damages. Incidents such as this are constantly warning farmers that they should increase their self-protection measures to guard against fake and inferior seed.

The shortage of seed is one of the conditions that most easily causes the spread of fake and inferior seed and imperfect seed storage systems in various localities also provide lawless elements with a vast market to produce and sell fake and inferior seed in this type of year. State seed management regulations stipulate that people's governments at every level should establish seed storage systems to take precautions against disaster and to guard against years with a shortage of seeds created by such causes as natural disasters causing the supply and demand in seed markets to be imbalanced. But this type of system has not been established in a great many provinces. In 1991 such provinces as Anhui, Henan, Hubei, and Jiangsu had a serious shortage of rapeseed because of serious flooding and water damage. A few opportunistic merchants forgetting justice at the sight of profits and even certain scientific researchers seeking exorbitant profits violated state seed control regulations and took advantage to purchase a large amount of fake and poor quality seed from villages and grain stations. They produced male seeds and commercial rapeseed and made their own packing crates (bags) and certificates of inspection and pretended that it was Qinyou Number 2 hybrid rapeseed and sold it in the southern disaster region, creating reduced production in that large area. This undoubtedly added one disaster to another and poured a large amount of salt into the unhealed wounds of the farmers of the disaster area.

Presently, China requires as much as approximately 15 billion kilograms of grain, cotton and oil-bearing seeds annually, but the national seed production base can only supply 5 billion kilograms and the more than 2,500 seed companies in the nation can only sell 3.2 billion kilograms. Objectively this helps to bring about many forms of seed businesses and many channels. At the same time, it also increases the difficulty of controlling the seed market. But with human effort, if we only clear up the origin and development of fake and inferior seeds, if we only have sound seed control laws and regulations and increased publicity, and increase the self-development of seed control departments and enhance their law enforcement functions and respect scientific laws, and have the

full cooperation of industry and commerce administrative control departments, technological oversight departments, and commercial departments at every level, an orderly seed market certainly can be established and there will no longer be a place for fake and inferior seeds.

Peasant Burdens Continue To Increase

94CE0150A Beijing ZHONGGUO XINXI BAO
in Chinese 13 Sep 93 p 1

[Article by Zhang Peng (1728 7720): "Peasant Burdens Continue To Increase in Some Areas"]

[Text] Primary taxes are light, secondary ones are heavy, but fundraising fines are a bottomless pit.

Since March when the "two offices" issued their urgent circular on lightening peasant burdens, governments and concerned sectors at all levels have taken a series of steps to do so. But while peasant burdens were lightened somewhat in the first half of 1993, they are still continuing to increase in some areas.

A poll of 67,000 peasant families throughout China shows that peasant burdens, such as taxes, deductions, and overall planning fees, averaged 7.28 yuan per peasant for the first half of 1993, down 0.97 yuan, or 11 percent, from the same period in 1992. From a regional perspective, this was characterized as follows: 1) Peasant burdens were obviously lighter than during the same period in 1992 in some areas, with the per peasant burden down 10.6 yuan in Jilin, 6.68 yuan in Jiangsu, 4.6 yuan in Shandong, and 4.36 yuan in Ningxia, all down 35-50 percent. 2) In some areas, such as Shanxi, Shanghai, Zhejiang, Anhui, Hubei, and Hunan, the peasant burden growth momentum was controlled, with the per peasant burden up less than 1 yuan per peasant in the first half of 1993 over the same period in 1992, for a somewhat lower growth rate. 3) But in other areas, peasant burdens were up considerably over the same period in 1992. For instance, they were up an average of 5.57 yuan in Inner Mongolia, 4.55 yuan in Beijing, 3.57 yuan in Liaoning, and 2.68 yuan in Fujian, all up more than 35 percent. In Liaoning and Inner Mongolia, on the heels of peasant burdens exceeding the set limit in 1992 to top 8 percent, they continued to grow faster than cash income in the first half of 1993. In areas such as Beijing, Fujian, Jiangxi, Yunnan, Shaanxi, and Qinghai, while peasant burdens did not exceed the prescribed limit in 1992, they grew faster than cash income for the period by more than 10 points in the first half of 1993.

While the management regulations for peasant burdens provide that except for taxes, village deductions, and township overall planning fees not exceeding prescribed limits that peasants should pay, as well as other stipulated charges and labor, all other charges should be regarded as unreasonable burdens, it is now precisely these unreasonable burdens that are continuing to increase, constituting the phenomenon that peasants call

"primary taxes (taxes) are light, secondary ones (deductions and overall planning fees) are heavy, but fundraising fines are a bottomless pit." A typical survey of 300 peasants in the six provinces of Hebei, Zhejiang, Jiangxi, Hubei, Sichuan, and Xinjiang shows that per capita taxes, deductions, and overall planning fees made up 37 percent of burdens in 1992, or 6.5 percent of 1992 net income, exceeding the 5-percent limit. Of the burdens for the first half of 1993, taxes accounted for 19 percent, deductions 18 percent, fundraising 32 percent, apportionments and fines 6 percent each, and labor and other charges 19 percent.

A concerned figure points out that since the center issued its urgent circular, while success in lightening peasant burdens has begun to be achieved, a thorough resolution of the matter is still going to require much work. As the survey data on the 300 peasants in six provinces show that the per capita burden for the first half of 1993 was about 42 percent of the whole year's burden for 1992 and, in light of the seasonal nature of peasant burdens, which are heavier in the second half of the year, it is going to be very hard to truly reduce the unreasonable peasant burden for all of 1993, in order to consolidate the successes achieved in the first half of the year.

Article Views Literature, Art Works as Commodities

94CM0028A Beijing GUANGMING RIBAO in Chinese
13 Oct 93 p 6

[Article by Zhao Kexian (6392 0344 6197): "Regarding the Commodity Attributes of Literature and Art Products"]

[Text] I. Commodity Nature of Literature and Art Products and Their Positive Role After Entering the Marketplace

According to the Marxist political and economic outlook, commodities are used to exchange products of labor. One discovers that this definition of a commodity likewise is used for literature and art products if specific attributes of literature and art products are deducted. First, production of literature and art products require that the producer expend certain mental and physical energy; thus it is a product of labor. Second, under commodity economy conditions, those who demand literature and art products obtain them by exercising the right to consume through exchange while the producers realize the value of their products through exchange. Without a doubt, literature and art products clearly are commodities, objects of labor produced through exchange. We know that literature and art products are made to be appreciated. The appreciation utility of literature and art products allows them to possess true utility value. Furthermore, literature and art products are valuable because they embody the abstract labor of their producer. Just like average commodities, the value of literature and art products and their utility value are two aspects congealed in the same commodity, in mutual opposition and mutual unity. However, literature and art products definitely differ from the average commodity. There is a peculiarity that cannot be overlooked. First, the process of producing literature and art products is a spiritual one, chiefly and mostly a thought process manifested as labor. Although the producer must expend a certain amount of physical labor, and in some cases strong physical labor, such as opera or acrobatic performances; overall, mental exertion is primary. Second, the aim of producing literature and art is to satisfy people's spiritual life needs, which determines that the utility value of literature and art products resides purely in satisfying the spiritual needs of the consumer, nothing else. Taken a step further, some material products may become products essential to daily life, whereas spiritual products cannot. Third, literature and art products are manifested in a kind of conceptual form, as the manifestation of spirit realized in material form. Their production is realized as the fruit of an artist's or craftsman's own spiritual labor carried in material form by certain means and techniques; consumption satisfies spiritual needs by spiritual information carried in the material form of literature and art products. Thus, its actual value is its spiritual import, not the form of the object itself. Without spiritual import, the solitary material form is not worth a cent as

a commodity. That is to say, our acknowledgement of literature and art products as commodities is conditional; namely, they are commodities only in the dual sense that they are objects of labor and of exchange. Taken a step further still, recognizing their peculiarity, then we can only say they have commodity attributes or at most can only say they are a special type of commodity.

As produced commodities, literature and art products have the following characteristics: First, almost all other material means of production are obtained only through marketplace exchange besides the mental labor of the producers of literature and art products, which is not directly expressed but must be through production materials and obtained by exchanging livelihood materials. Second, if producers of literature and art products want to continue production, they must do so through exchange, obtaining from the market the means of production needed to sustain their own labor reproduction. Third, the sole way for producers of literature and art products to obtain the means of production and livelihood is through the exchange of products of equivalent value in the market. As commodity producers, producers of literature and art products seek to obtain rights and their own independent status equal to other commodity producers. Such equality is just the basis for manifesting equal opportunity in the exchange of equal value of one's own labor products and one's own value. No member of society can hold the labor of another member of society without compensation.

The aforementioned situation indicates that on the one hand literature and art work production cannot proceed independent of all social commodity production. On the other hand, producers of literature and art products themselves also demand that their products enter the marketplace. In this way, the entry of such products into the marketplace becomes a kind of objective natural tendency. I believe that under normal market conditions, literature and art products play at least the three following positive roles in the market: 1) The law of value compels competition between producers of literature and art products, and competition leads these products to develop in the direction of high quality and low cost. 2) Artists appear in the marketplace in the capacity of commodity producers, implying that they have the same equal rights as other commodity producers. This is extremely significant for establishing artists' independent status. 3) A cultural market is created by literature and art products in the market. A cultural market's greatest function is to link producers and consumers. In other words, to meld literature and art together with the masses and make it of the masses.

II. Literature and Art Predicament and Artist's Spirit of Devotion

In the synthesis of the contradiction of socialist literature and art production and consumption, consumer literature and art desires and likes determine the direction of

such consumption because on the one hand consumption holds a dominant position. Therefore, when an entire society's productivity level is rather low, and the whole people's cultural knowledge and artistic accomplishment levels are low, the following situation may emerge: On the one hand, artists with a strong sense of social responsibility painstakingly work with blood, sweat and tears to present respectfully to society group after group of excellent work. On the other hand, the masses of consumers display extreme indifference to these dazzling literature and art products. Although people of rather poor economic circumstances have the desire to consume refined artworks, they lack the economic power to satisfy this desire. People of relatively better economic circumstances, in particular some fat cats with gold-lined pockets, are limited by rather low cultural accomplishments. They would rather invest hugely in grave repair or tomb building, or be diverted by low-style entertainment, not setting foot in refined art halls. This has created enormous contrasts between artists' desire to create and the masses' aesthetic interests and standards of appreciation, and between the direction of producers of literature and art products and consumers' low demand.

The evil consequence created by this contrast is a serious deviation between the price and value of literature and art works which thereby has created an abnormal cultural market. In this abnormal cultural market, the law of value's regulating role often is clearly pale and weak and it is difficult for it to prove effective. First, because society's demand for literature and art works has been too low for a long time, especially for serious, highly refined works of literature and art, a sellers market could not emerge. Literature and art work prices have been predominantly lower than their value. In a relatively short time it is difficult to spontaneously create a normal phenomenon where prices float up and down around value. Second, because society's demand for almost all kinds and varieties of works of literature and art commonly is low (of course, not for all, and there may be the phenomenon of extreme demand for some kinds of literature and art works for certain periods). No matter how they alter production, producers of literature and art works cannot alter the low demand situation. Thus, for the majority of kinds of literature and art works, there is no longer a need to readjust and reapportion the ratio between literature and art work production materials and labor. Once again, under circumstances in which market prices have predominated for a rather long time, the more of most literature and art works there are, the more serious overstocking there is and the greater the losses. Thus, it is difficult to stimulate the enthusiasm of producers of literature and art works to improve their productivity.

Facing an abnormal cultural market, if we want to obtain economic returns on literature and art products as soon as possible, abnormal consumer literature and art demands must be satisfied. This can only help worsen the originally abnormal cultural market. Conversely, if

such immediate economic returns are abandoned and social returns on literature and art works are steadfastly upheld, then the aesthetic educational role of literature and art works with rather high social returns can improve consumer appreciation for literature and art, altering aesthetic appeal. This actually is guidance of literature and art consumption. Guided change of the direction of literature and art consumption gradually will regularize the cultural market. Guided expansion of the literature and art consuming troops and opening up the cultural market ultimately will improve the economic returns on literature and art products. Thus, immediate and temporary economic returns are abandoned for long-term economic returns. Immediate social returns also are steadfastly upheld for long-term social returns.

In this way, abandoning immediate and temporary economic returns implies that the phenomenon of incomes lower than for producers of other commodities will accompany literature and art producers. However, this must be so for the long-term social and economic returns of literature and art products. Thus, artists' sense of mission and social responsibility are not guaranteed. It basically will not do to have artists without a spirit of sacrifice unselfishly and respectfully offering their works and willing to bear both bitter and sweet.

III. Overcome Predicament: Steadfastly Uphold Direction of Socialist Literature and Art, Take Advantage of Time and Opportunity, Adroitly Guide Action According to Circumstances

Artists' spirit of sacrifice of course is important to eliminate some negative phenomena that have emerged accompanying the development of the cultural market and get literature and art to overcome the predicament, but its role ultimately is limited. I believe that regarding the present stage, an entirely feasible and rather effective way is that we must unswervingly and firmly uphold the establishment of socialist literature and art, and under this premise, use rational policies and readjustment and control measures.

So-called literature and art policy readjustment and control measures mean that while bringing into play the role of socialist market regulation, we fully consider the peculiarities of literature and art products and use policy readjustment and control measures to undertake regulation aimed at the portion which the law of value is unable to regulate. Specifically, undertake policy readjustment and control of literature and art products exhibiting a serious deviation of price and value in an abnormal cultural market. This will support the production of highly refined, serious literature and art works and restrict those which are vulgar, low-grade and with low or no social returns to speak of. Specific measures include two items.

First, there must be policy readjustment and control of serious price and value deviations in the area of literature and art production. The state must compensate the producer for the unrealized portion of the value of his

labor which cannot be compensated or fully compensated in the exchange process because it is a serious, highly refined literature or art product of a rather forceful artistic nature exchanged at a price greatly lower than the actual value of the product. It must be emphasized that the amount of such an exchange must exceed the value of the portion which cannot be compensated before it will allow the good to be known, thereby playing the role of encouraging and supporting production of serious and highly refined literature and art works. Conversely, the state must take back the portion of price which exceeds the actual value by producers of vulgar products who seek high profits with no artistic conscience, or those who produce certain "bestsellers" to satisfy abnormal literature and art consumption demands, whose product prices are greatly higher than actual value. Means of taking back which could be adopted include tax returns or unit-levied labor or management fees. Likewise, it should also be particularly emphasized that heavy taxes definitely must be levied on low-grade vulgar literature and art producers. The amount levied must be much greater than that portion of price exceeding actual value before it can play the role of inhibiting production. The greater the amount levied, the greater the role played to inhibit production.

It must be especially noted that such value compensation and take back should treat all producers of literature and art works without discrimination. The state shall not allow literature and art producers who leave the market to eat from its "iron rice bowl" or commit outrages. "Stable yields must be ensured despite drought or excessive rain," no matter what the social and economic returns of the products they produce. Market value laws are beyond their reach; they can ignore the artistic conscience and social responsibility of artists and need not worry about changes in market consumption, wildly expressing themselves and vividly portraying low-grade, vulgar objects. Likewise, they cannot be allowed to lie down and sleep after eating their fill of the "iron rice bowl" without anything to take care of or do.

Second, we must compare production of literature and art works with other materials and undertake unilateral policy readjustment and control in situations where price and value deviate. Regarding price and value deviations of literature and art products, there are two major situations. One situation is the bidirectional deviation within literature and art production, in that prices are either lower or higher than value. Another situation is that considering literature and art production overall, deviation is unidirectional in that the majority of literature and art product prices are lower than their actual value. Because this unidirectional deviation situation is reflected in the exchange of literature and art products for other material products in the whole social commodity market, the solution to the problem cannot be sought within literature and art production itself but must depend on macroeconomic state readjustment and control of production of literature and art and materials manifested as the state's investment in literature and art

production, by levying some portion obtained in the exchange of the portion of material products exceeding actual product value as compensation for all portions of unrealized value of literature and art products.

The first of the aforementioned two policy readjustments and controls basically does not require the state to bring out other values but can be undertaken within literature and art production itself by using the portion of recouped value to compensate for the unrealized value portion. The other is different in that it requires the state to be compensated from material production value for literature and art production. The former readjustment and control must be based on the process of continual establishment and perfection of a socialist cultural market. On the surface the latter seems to depend on the state's fiscal might but actually it more importantly depends on the position of literature and art production in social life, and in particular its place in the mind of all levels of leaders and policy makers.

Shanghai Scholar on Revival of 'Refined Culture'

94CM0038A Hong Kong ERH-SHIH-I SHIH-CHI
[TWENTY-FIRST CENTURY] in Chinese No 19,
Oct 93 pp 137-42

[Article by Xu Jilin (6079 4764 7207): "Shanghai Intellectual on Revival of 'Refined Culture'"]

[Text] I was overwhelmed with emotion after reading "The Loss of Refined Culture in China Over the Past Century" by Chen Pingyuan [7115 1627 0626]. The decline of refined culture on the mainland has long been an uncontested fact as well as a heartache for contemporary intellectuals. Whenever the leading cultural lights of yesteryear get together and start talking about the shape of things today, they all seem distressed at the decline of culture. But emotion is one thing, reason is another. Since our intelligentsia has been stripped of its traditional role by the new era, it should update its mentality and find a new place for itself in a commerce-is-king society, rather than wallowing in self pity and complaining endlessly.

The Overthrow of Mainstream Culture

In a broad sense, one can always find both a refined culture and a popular culture in any era, forming the major and minor cultural traditions, respectively, in history. In the past, though, it was always the refined culture that appealed to refined tastes and became the mainstream culture. It was precisely its unshakable position as the mainstream culture that gave refined culture its confidence and emboldened it to try to turn high-brow into low-brow and convert the masses.

By the 1990's, everything was turned upside down. Popular culture, relegated to the periphery in all history, dethroned refined culture overnight to become a supremely arrogant mainstream culture. The reasons were analyzed by Chen Pingyuan in a most convincing way from all perspectives and I could not agree with him

more. But I would like to add that the popular culture that arose in the 1990's is entirely different from the provincial or folk culture of years past but is a mass culture directly related to modern urban life.

Kang Zhi [2123 0037], a Taiwan scholar, has offered a brilliant functional exposition of mass culture. He wrote, "Mass culture is the special product of an urban industrial society or mass consumption society. It is a cultural product carried and transmitted by the mass media, including the print media and electronic media, in a mass consumption society. It is a synthetic and processed cultural product, epitomized by standardization since it is manufactured for mass consumption." (Footnote 1) (Kang Zhi, *Yiweiji*, Beijing, Sanlian Shidian, 1991, p. 141). In other words, mass culture has been riding high in modern times mainly because of the emergence of a consumption society revolving around the city, the spectacular growth of the mass media, and the establishment of the dominance of commerce in the course of modernization. In a society permeated with commercialism, culture has become highly democratic. No longer is it a tool with which the intellectual elite teaches or influences the masses or an instrument of self-expression. It is a mere spiritual commodity for the diversion and entertainment of the masses.

Let us leave aside the rationality of this change, but there is one fact we cannot but acknowledge: The switch in mainstream culture is not the result of some subjective manipulation on the part of the bureaucrats. Nor did it come about because the intellectuals were so keen on converting the masses that they ended up being converted by them. The fact of the matter is that the logic of the commercial society has infiltrated and permeated the cultural and spiritual realm in the wake of modernization and that modern urban life has created a cultural consumption critical mass which commands an absolute edge in quantitative terms. This phenomenon is not unique to China but is a universal event that goes hand in hand with modernization.

Scanning the history of mainstream culture, we see that its function has evolved from being a "vehicle for the great principle" to the "expression of personal aspirations" to consumption, corresponding to the pre-industrial, industrial, and post-industrial eras, respectively. Take the West, for instance. During the pre-industrial Middle Ages, culture informed with theology was merely a tool of Christianity. With the dawn of modern society, culture ceased to be the "vehicle for the great principle" and became a means of self-expression. Shorn of its theological garb, it became the art of self-expression, of demonstrating one's personality, of individualism. While one can distinguish between two strands of culture, rational and nonrational, it could fairly be described as a refined culture with a preoccupation with the individual language. After the 1960's, Western society entered what sociologists call the post-industrial period. In the cultural arena, the capitalist principles of utilitarianism and efficiency triumphed

over individualism. As with any other commodity, culture came to acquire the traits of consumption and market. The omnipresent mass media, forming what Alvin Toffler has called "cultural industry," churns out cultural products that appeal to the popular taste, standardized and on a mass scale. Culture, now thoroughly commercialized, became entertainment. This just about sums up the mainstream culture in society today.

Looking at mainstream culture in China over the past few millennia, we can see that for a long time it was frozen in the rut of the vehicle for conveying the great principle. At the beginning the "great principle" was Confucian ethics, followed by the notion that "culture is the salvation of the nation" in its many variants and culminating in the proletarian culture at the service of workers, peasants, and soldiers. Since the 1980's, mainland culture has undergone a stunning change; in just a brief dozen years China covered the same road that it took the West several centuries to traverse. In the early 1980's, art, literature, and scholarship were still heavily colored by ideology. Cases in point: The ideological liberation movement, intervention literature, and scar literature. By the mid-1980's, an individualistic self-expression art began its sweep across China. Empirical drama, behaviorist art, rock and roll, new-language fiction, modernist painting, and other forms of expression in the art-for-art's-sake mold gradually gained the upper hand in refined culture and showed every sign of supplanting the "culture as a vehicle for the great principle" tradition. In the world of learning, too, the idea of scholarship for the sake of scholarship was being resurrected. Good things don't last, however. By the early 1990's, mass culture spearheaded by the tidal wave of the market economy swept across the land with lightning speed. Neither the old-line school of culture as a vehicle of morality nor the burgeoning individualistic art was its match.

Whether we like it or not, as long as the course of modernization is not reversed, popular culture cannot be lodged from its position as the mainstream culture for a long time to come. The marginalization of refined culture is a bitter reality that is hard for one to swallow, but swallow one must.

Since history is not to be resisted, there is no point in dwelling on the past. The golden age is gone for good. Rather than fruitlessly dreaming about the garden of Eden of yesteryear, we would do better by planting our feet firmly on reality and fighting for a place for ourselves in the age of mass culture.

The Rationality of Marginalism

Mass culture is indisputably the mainstream culture in a modern urban society. But that does not mean that refined culture has lost its meaning for existence. Modern society is a pluralistic society. The diversification of the social structure determines that it be culturally open as well. In terms of cultural consumption, the city is home to the fringe group which has always been

fascinated by the classics, the humanistic spirit, and scholastic writings as well as the masses with their enthusiasm for pop music, popular fiction, and movie stars. Even in terms of pure supply and demand relations, refined culture has a good deal of market value. Moreover, with a tradition going back thousands of years, refined culture embodies the achievements of the development of human society thus far as well as the heritage of a people. As a guide to the future development of human civilization, it has no substitute. Provided it is not out of its mind, no nation would destroy it in an instant.

In the West (particularly Europe), therefore, even as mass culture reigns supreme, refined culture continues to exist as a nonmainstream culture, a weakling on the market but the target of special government and social support. On the Chinese mainland, however, the concept of pluralism never seems to have occurred to the government, the media, the business community, or the masses. Once refined culture lost ground on the market, it has been spurned like a pair of old shoes. These days refined culture is hanging precariously onto its pathetic marginal existence. The idea of reclaiming its position as the mainstream culture is simply out of the question. From top to bottom, everybody in society is utilitarian, pragmatic and materialistic. The humanistic spirit has vanished without a trace.

This is not the full extent of the seriousness of the problem. The rationality of the existence of mass culture masks a host of irrationalities. In the past few decades the Frankfurt school, for instance, has mounted a systematic critique of the ideology of industrial and commercial society. Yet it is the Chinese mainland, where the mass culture is still in the ascendant, that lacks even a minimal understanding of its shortcomings. Driven by dubious commercial motives, the mass media and critics pour forth a torrent of obsequious praises for the latest and hottest works by celebrities in show business. Mass culture does not have any serious quality control, so we are practically drowning in a sea of imitations and fakes of the most bizarre variety, with the bad passing off as the good. Refined culture, which transcends commercial interests, should logically take up the responsibility of criticism. In the age of mass culture, in particular, thinkers and critics have even more reason to demonstrate the value of their existence. In modern society, the healthy development of a culture requires an opponent, much like the opposition party in politics. Get rid of one's rival and one will eventually annihilate oneself. In this sense, the presence and flourishing of a nonmainstream culture as a check and balance is a blessing for mass culture. The mainland society, however, where "live and let die" is a well-established philosophy of life, snobbishly turns a cold shoulder to serious culture even as it embraces the new-born things of the commercial culture with zeal.

We cannot help but ask: Why is it that an ancient civilization with a cultural tradition even older than that of Europe lost its humanistic spirit almost overnight?

The reasons enumerated by Chen Pingyuan—the decline of the social role and economic standing of the cultural elite, the collective anti-intellectualist consciousness of the masses, the mistaken cultural choices made by the intellectual elite—in his analysis are certainly very important. In my opinion, however, perhaps an even more deep-seated reason can be found in the tradition of this nation. In the past, refined culture was revered; today, we fall under the spell of commercial culture. A simple logic is at work in both cases: Pragmatism.

In ancient times, Confucian culture was venerated as the creed because it was widely regarded as useful by the entire society from top to bottom. The power elite looked to it to help preserve the unity of the political order, the masses believed it contributed to safeguarding the patriarchal clan system and ethical relations, scholars memorized it because it was a passport to officialdom, and the classicists studied it because they regarded it as the everlasting truth indispensable to orderly government and social peace. At the dawn of modern times, the Confucian culture went into decline but refined cultures of all stripes rode the crest of popularity driven by the desire to save the nation and save the world, so to speak. They also entrusted to themselves the sacred mission of "converting the masses." At the time, entertainment-oriented popular culture was gaining acceptance at the lower strata of society but there was still the suspicion that pleasure-seeking would sap one's will to make progress. Thus popular culture was somewhat held in contempt by the government and orthodox cultural circles. That refined culture successfully prevailed for thousands of years in the past, we may say, is to some degree related to a certain ideology or social expectations at the time. The entire society from top to bottom was willing to support a class of scholars and honor the humanistic spirit simply because of the belief that they served a purpose.

How things changed after the mainland ushered in the market economy era. Deng Xiaoping's "cat" thesis finally became the consensus of all society, ending a debate that had lasted decades. No longer do people use ideology to assess things. Instead they have been reevaluating everything from a pragmatic market-oriented perspective. The traditional pragmatic spirit has not changed. What has changed is the yardstick of evaluation, formerly politics, now the market. Thus culture has been divided into three levels, depending on its market value. At the top level is scientific and technical culture. As the foremost productive forces that can produce direct material results, scientific and technical culture was showered with unprecedented attention. Among intellectuals, the standing of scientists, particularly technical experts, today is indeed a far cry from what it was in the past. At the second level is consumption culture. Since it is entertaining, presents a false picture of peace and prosperity, and can satisfy the humdrum spiritual needs of the masses without doing any major harm, it is naturally embraced with open arms by both the government and the market. As for refined culture, which is not

good at catching mice, it has no widespread market demand but does smack of cultural criticism, a taboo to both the government and the market. Thus it has been treated as a pariah by both. In the past, refined culture basked in the reflected glory of the ideology of "putting the classics to practical use." Now that the ideology has fallen on hard times, refined culture too has lost the value of independent existence. In this sense, the decline of refined culture nowadays is not only related to the pragmatic characteristic of the entire nation, but is also the historical payback of the lack of an independent intellectual spirit on the part of China's intellectual elite through the ages. So now we find refined culture hanging onto its marginal existence by a thread, having been dethroned as the mainstream culture.

Once an ancient civilization going back several millennia starts measuring its humanistic spirit with the yardstick of pragmatism, it may reject its own humanistic tradition more ruthlessly than other nations, caught up as it is in the dislocations of modernization, becoming even more materialistic and utilitarian than old-line capitalist nations, only to destroy the entire civilization in an orgy of greed and desire. It is not a groundless fear to wonder if what happened to the ancient Roman Empire might repeat itself in China in the 21st century.

Scholars and Thinkers

How to turn the tide and save refined culture from decline and oblivion? This is a weighty problem beyond the capacity of scholars and intellectuals. In the short haul, there is little hope it can be solved. As far as intellectuals are concerned, probably the only thing they can do is to adjust themselves psychologically and search for a place for themselves in the era of mass culture where they can settle down and get on with their pursuits.

Overwhelmed by the way of the world, the mainland intellectual today finds himself caught in the midst of a survival crisis from which there is no escape. According to my observations, while the pain of being an intellectual in China today is in part caused by material poverty, an even more important factor is the loss of personal dignity and spiritual value. This is felt more keenly by the intellectual elite. The 1980's were their glory days. Back then thanks to the obsession with ideology they talked expansively about culture and could become a celebrity and wield enormous influence on the strength of one published book or a single article. Today all that seems to have happened in an earlier life. The spotlight now belongs to a bunch of movie stars and pop singers, beautifully packaged but devoid of an iota of intellectual wisdom. The rising public worship of mediocrity and the fact that there is no scope for their talents make intellectuals, too highbrow to be popular, feel extra lonely and melancholy. Compared to political oppression of the past, this is an even more profound kind of torment.

Since there is no running away from such pain, the only way out is probably to face up to one's place in the real

world. A humanistic intellectual can play a dual role in modern life: scholar and thinker. While one can be both scholar and thinker, the two roles have different missions and responsibilities. The scholar's mission is to pursue scholarship for the sake of scholarship, seeking truth in the world of knowledge. He need not answer to the real world in any tangible way. Society tolerates his hiding in the "ivory tower" in "isolated wisdom." As a thinker, however, the intellectual is morally responsible for the destiny of mankind and the future of his people, a responsibility he cannot shirk. He must get out of the ivory tower and engage himself in the cultural process of real life. He must react instantly to social change, maintaining a deep cultural concern and realistic critical spirit at all times. It may be said that the ideal humanistic intellectual should have both attributes: The scholar's aloofness and the thinker's involvement. In each specific case, however, society allows him to emphasize one role or confines him to just one role.

In the 1980's, mainland intellectuals had a fuzzy understanding of the distinction between the two roles mentioned above. A common scenario in the ideology-laden academic debate over "cultural fever" back then was this: An intellectual might think he was engaged in an scholastic discourse in a disinterested, aloof manner, yet his writings were permeated with a secular concern and full of thinly-disguised political opinions. In contrast, when he wanted to critique the real world culturally, he would nervously seek refuge behind some obtuse academic jargon, lacking the courage to take on life directly. In the strange era of the 1980's, this role reversal and confusion had an extraordinary social impact. Thanks to their political allusions, academic treatises became best sellers and scholars became the personification of social justice in the eyes of the public.

Now that this outburst of political passion is over, everybody has returned to his proper place. With the fade-out of ideology from public life, the world of scholarship has returned to its little ivory tower and regained its tranquility. Some scholars, however, still relish their extraordinary moment in the sun and have come to regard what is happening now as deviation from the norm. Yet the fact of the matter is that by its very nature scholarship can be the undertaking of just a handful of intellectuals. It inherently cannot and should not shake up a society. If an intellectual still wants to take up the academic pursuit as his life-long vocation in this day and age, he must content himself with a marginal existence. Poverty may not necessarily accompany scholarship, but loneliness certainly does. Since ancient times, great scholars such as Wang Guowei, Chen Yinke, Tang Yongtong, and Zhao Yuanren no doubt enjoyed a towering reputation in the academic circles, but their names were not household words in society. Their writings never made their way into any best-seller lists. What is popular may not endure, what endures is not necessarily popular. The true contribution of a scholar is to produce works that are handed down from one generation to the next and can withstand the test of time, not

trendy writings that cause an instant sensation only to disappear without a trace in no time. Compared to the immortality of the pursuit of knowledge, achieving fame in this world is of very minor significance. This just about sums up the scholastic personality.

Suppose a humanistic intellectual is not content with the life of a pure scholar. Suppose he wants to have an impact on real life and to involve himself extensively in the current cultural processes and moral rebuilding. Then he must walk out of the ivory tower of academia and acquire a full understanding of the various characteristics of the era of mass culture so that he can live up to the thinker's practical role. Compared to the preceding periods, what distinguishes the era of mass culture most is the change in the cultural and communications media. Traditional means of propagating ideas such as books, drama, films, and lectures have long become outdated, replaced by the tools of mass communications like newspaper, radio, TV, and pop concerts, which reach an extremely wide audience and are enormously powerful. It is the mass media that have catapulted pop singers and movie stars to fame, turning them into public idols. A thinker with a sense of social responsibility who wants his values and ideas to be broadly influential among members of the public must be deeply engaged in the media and change his language and mode of expression. At the beginning the influence of Milton Friedman, the renowned American economist, was limited to the academic community. Then along came his TV lecture series, which spread his neo-liberal economics theories far and wide and earned him a national reputation. His teaching was subsequently adopted by the Reagan administration and became the theoretical cornerstone of American economic policy in the 1980's. Similarly "River Elegy" was able to take the mainland by storm in 1988 thanks to the mighty power of television.

In the era of mass culture, all culture is the subject of diversion and the tool of entertainment. The values, ideas and ideology behind culture are all conveyed to the audience imperceptibly in an almost game-like manner. The public has gotten used to exquisitely packaged cultural products. If its packaging is dull, a product will be psychologically resisted by the masses no matter how original its thinking and how substantive its content.

Thinkers therefore must master the skill of packaging and change their language if they are to disseminate their thought and ideas in ways that appeal to the public.

To sum up, to survive and thrive in the modern mass society, refined culture must begin by developing its own independent personality and a spirit of scholarship for scholarship's sake and scholarship for art's sake. A true scholar must be able to put up with loneliness and being treated indifferently for one's entire life. Society should be magnanimous enough to tolerate such "useless" staff as refined culture. Second, if refined culture is to continue its role of educating and influencing society, it must make use of the mass media. Popularize yourself first before you can influence or convert the masses. What has been described above is the two roles played by the scholar and the thinker, respectively. Be that as it may, an intellectual often feels torn between the conflicting pulls of academic interest on the one hand, and human concern on the other. Wu Mi [0702 1348] compared the situation to two horses tearing up a corpse. He wrote, "The horse of scholarship and the horse of conversion often run in opposite directions. When the two horses gallop off in different directions, I suffer the penalty of being split in two." (Footnote 2) (Wu Xuechao [0702 1331 6389], in *Wu Mi and Chen Yinke*, Beijing, Qinghua Daxue Chubanshe, 1992, p 47). Perhaps this is the eternal pain of a humanistic intellectual. Still we must not combine the two horses into one and repeat the tragedy of role reversal of the 1980's. If you ride a particular horse, you go down a particular road. Strictly observe the boundary separating the scholar from the thinker and summon enough courage to discharge one's own social mission and pay the spiritual price.

An era has ended. Another has begun. As far as the humanistic intellectual is concerned, the glory of yesteryear is gone forever, but he must struggle to find a new place for himself. God help those who help themselves. With the refined culture in decline, it is up to the intelligentsia to work hard to save itself.

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Export Processing Zones Upgrade Work Force

93CE0845A Taipei TIEN-HSIA [COMMONWEALTH]
in Chinese No 9, 1 Aug 93 pp 48-54

[Article by Yu Ch'ang-shan (3266 1603 1472): "From Quantitative Change to Qualitative Change in the Export Processing Zones"]

[Text] Forty percent work force reduction in the three export processing zones in the short space of six years. Labor value concepts and labor awareness also changing in new era. What is in store for the export processing zones that are now undergoing change?

An almost unbearable heat pervades the Ch'ien-chen Export Processing Zone beside the Harbor Affairs Bureau as Kaohsiung Port swelters under the slanting rays of the late afternoon mid-summer sun. At 4:00 in the afternoon, the police on duty in the sentry post at the processing zone's entrance gate are standing by to meet the tide of people coming off shift.

The sound of motor vehicle and motorcycle engines draws near like an approaching wave. First, scores of large buses pass by followed by countless zooming motorcycles. During the peak of the shift change between 4:30 and 5:00, the processing zone is enveloped in vehicle exhaust and deafening noise. It is an astounding spectacle. However, for Hu T'ai-lien, a child of the military dependents village who has been an employee here for 20 years, the spectacle today is much tamer than what it was 20 years ago. "The people coming off the shift back then surged like a sea of humanity. You couldn't even ride a motorcycle. All you could do was push your bicycle along slowly," she reflected. In those days, the processing area had 300 factories, and the times when people came off shifts had to be staggered in order to solve the traffic problem.

Today the Ch'ien-chen Processing Zone has more than 16,000 workers, only one-third the number during its heyday. Nor is this loss of the work force an isolated phenomenon. According to statistics from the Ministry of Economics' Export Processing Zone Administration, only 52,000 of the 91,000 employees of six years ago remain in the three Kaohsiung processing zones at Nanhsin, Ch'ien-chen, and Taichung T'an-tzu. In the short space of six years, the number of workers has fallen 40 percent.

Workers have been gradually leaving the factories, and 1987 was a watershed year. In that year, both the stock market and real estate began a frenzy. The money game was in full swing. Taiwan had a work force of 2.62 million people, but they have gradually left the factories since that time. By the end of March 1993, only 2.13 million remained, the number of people employed declining 19 percent in six years. For 20 years, the export processing zones had always been the places where labor-intensive industries congregated, and they are the places where the flight from the factories has had the greatest impact. The three export processing areas

recruited workers for a long time, and growth and decline has been most striking in Ch'ien-chen, the smallest zone in the area.

The departure of labor-intensive industries has freed large numbers of nontechnical workers to go into the service trades and the underground economy. This is also one of the reasons for the sharp decline in the number of workers. The reason for the departure of labor-intensive industries is "the international division of labor during the past 30 years among transnational firms in Taiwan, the United States, and Japan. In today's climate, people no longer go into low value-added processing jobs; consequently labor-intensive industries have had to move to Southeast Asia or Mainland China to recycle their capital." Author Ch'en Ying-chen [7115 2503 4176] views this as a readjustment of Taiwan's social structure, which has produced a major change in the manpower structure.

Most of the 16,000 employees who still hold jobs in the export processing zones are middle aged housewives. "Only housewives have such staying power. They are not always changing jobs," said a medium level manager in an export processing zone.

Twenty years passed as quickly as a day, going to work at 7 a.m. and finishing at 4 p.m. The 38 year-old Hu T'ai-lien grew up in Ch'ien-chen's military dependents village where she frequently went to church with her mother. When she was 14 years old, an American firm, Vega Electronics, set up a factory here. Later on, it became Kaohsiung Electronics, an American-owned firm that made electronic parts having general application. At 18, while in her second year of night high school, she went to work in Kaohsiung Electronics. Nine years ago, after the plant sold its military supply IC Plant to Interpoint Company, she agreed to transfer to Kunyu Electronics, which Interpoint owned. "We reached a wage agreement, and the amount of leave time was entirely satisfactory. Then, on top of that, Kunyu gave each of us an NT\$8,000 bonus, so more than a hundred of us moved over here," said Hu T'ai-lien, who was wearing brown coveralls, and sitting astride an old 50-cc motorcycle. She complained over and over about some no-good thieves who had stolen a new motorcycle that she had bought only two months earlier. As she spoke, a customary smile wreathed her face, and her waved hair sparkled in the evening sunshine.

Afterward, fewer and fewer new workers were hired. Only three of the 10 female senior middle school graduates were kept. The nearby Yungan industrial zone, which had many traditional chemical and machinery industries, suffered from a severe labor shortage. "Tiring, dangerous, and dirty work held very little attractiveness for young people after 1967," said Ch'en Wen-chin, the manager of the Taiwan Golden Bee Industrial Corporation in the zone.

Wu Yu-chao, a senior worker at Kunyu Electronics, told about meeting a young woman who had worked for less

than a month who complained that her family lived in the Sanmin District of Kaohsiung. It took her half an hour to get to work on a motorcycle, so she quit because traffic was too hard to take. Wu Yu-chao's family lives in Hsinyuan Village near Pingtung. It takes her three hours each day to go to and from work on a bus, yet she does not complain. She said that many people in the processing zones today are young people who cannot stand hardships. "Even people like us who peer through microscopes at work, have air conditioning, and work in a clean environment, they disdain as dull and boring" she said straightforwardly and rather disapprovingly.

"The values of the new generation of workers have changed too. Back in the early 1970s, some 13 year old girls used their older sisters' identity cards to show that they were of working age, hoping to make some money in the processing zones to help their families," said Ho Hsi-hung, chairman of the export processing zones' trade union confederation. He works in Hitachi Electronics, where he has seen plenty of changes in the processing zone during the past 20 years. "The new generation of women workers are entirely different," he said.

Changed Values

Workers who used to be extremely frugal, economizing on food and being otherwise frugal, have their own set of values about consumption today. For lunch, they may eat some spicy noodles as well as some meatball soup or a salted egg without being at all stingy about pleasing themselves.

At 1:00 p.m. on a bright sunny day, the women workers walk from the restaurant to the production line in two's and three's, several of them lingering beside a sales booth of a portrait company located outside the restaurant. Coquettishly, they examine the color salon photographs one by one. This booth, which displays individual portraits, is developing this market of unmarried working women in their twenties. The cost of a salon photograph runs between NT\$1,000 and NT\$2,000—no small sum for newly employed female workers having a starting salary of NT\$12,000.

Not only have value concepts changed, but the workers' self-awareness has risen too. They better understand how to protect and obtain their rights. How senior women employees obtained separation pay or retirement pay is an example. During the past two years, Hong Kong Sangwo Clothing Manufacturer, and the Japanese Miyoshi Electronics went out of business in the processing zone, but Sangwo Clothing Manufacturer failed to pay a separation allowance as the labor law requires before withdrawing its investment. In order to get their rights, nearly 100 40 to 50 year-old senior women workers organized a workers rescue association. They elected Chiang Ch'u-chih from Fengshan to be their leader, and they went everywhere seeking political support. Finally, with the help of legislator Chang Chun-hsiung and the processing zone's labor confederation, they won a

promise of separation allowance payment in six installments over a three year period. After Sangwo was out of business for slightly more than a year, they received two checks, and none of them have bounced so far. "Otherwise, they would have continued to fight," Chiang Ch'u-chih told Ch'en Sheng-chih, Legislator Chang Chun-hsiung's assistant.

In recent years, the firms in the processing zone that have lost their competitiveness have either gone out of business or retrenched. During the past six years, 21 firms have disappeared. Their departure, and manpower cutbacks have meant that 38,000 workers have been let go, but a small number have gone back to work elsewhere. "Very many women workers have married locally and have children, and some have bought homes. They have some savings, so they have no urgent need for this salary," said Ho Hsi-hung, the chairman of the processing zone's labor confederation. Taiwan is a rich society now. For example, people who bought property in Kaohsiung have seen real estate prices rise crazily in recent years. Considering the substantial profit from appreciation of the land they hold, a monthly salary of NT\$20,000 is not so attractive. After the company in which she worked closed its doors, Lin Chin-lien, who had been born in Linyuan and lived in Kaohsiung, returned to school at the age of 40. In 1992, she received her middle school diploma from Shih-chia National Middle School in Kaohsiung. The joy that she and her children obtained from her going to school far exceeded doing routine work in a factory every day.

Improved Working Conditions

The processing zone factories that are still able to attract long-term workers are those that have air conditioning, that have humanistic management, and whose products have high added value. An example is the U.S.-owned Kunyu Electronics. It is the first concern in the processing zone to have signed a group agreement with the workers in accordance with labor committee regulations. This agreement explicitly guarantees to pay workers a pension according to labor law regulations. Kunyu Electronics, which produces military IC [sic], had fewer orders after the Persian Gulf war, but it continued to keep a 120-man production line going. Despite the eye strain caused by looking through a microscope, it attracts long-term workers because the plant is completely air-conditioned, the environment is clean, and the work is relaxed.

The work pattern of electronics parts factories of the past in which a conveyor belt production line brought each part to a female worker, and the female worker performed just one operation all day long can no longer exist. No matter how good the wages, workers cannot be found to do such jobs. During the 1970s, when continuous belt assembly lines were in full swing, if just one female worker went to the toilet, the assembly line had to halt for her. Consequently, some Japanese concerns made a rule from the very beginning that no one could go to the washroom except during a rest period. Many

women suffered urinary system disorders as a result. Such harsh working conditions "simply no one wants to endure," a senior woman worker said. In addition, Hu T'ai-lien, who left a senior middle night school 20 years ago has many classmates and colleagues in the processing zone who have wanted to retire during the past 5 years. Retirement pensions are substantial. Consequently, some firms have offered early retirement, the outflow of workers quickening as a result.

On 4 July 1993, the Ministry of Economics decided to deregulate the three export processing zones to allow semi-manufactures from mainland China free entry, and to permit the importation of finished goods, duty free as well. It also permitted traders to enter the processing zones. The processing zones became free trade zones in

an attempt to compete with Singapore and Hong Kong for the position of operations center for the Asia-Pacific region. Their greatest shortage will be the skilled talent that is able to handle transnational business concern operations. Large numbers of service personnel who are fluent in English and highly efficient will go into the free trade zones to take the place of the former women operators on production lines. This policy will no doubt completely change the processing zones. Where will the 52,000 workers go, and what will they do? How will the government train them for other occupations? Will they be able to adjust to entirely new circumstances? Or will they be like the 38,000 that have already left who are wasting away in society, this considerable productivity being simply wasted?

Hong Kong Entrepot Trade Status Reviewed

94CE0172A Hong Kong CHING CHI TAO PAO
[ECONOMIC REPORTER] in Chinese No 43,
1 Nov 93 pp 9-11

[Article by Correspondent Wu Fengxia (0709 7685 7209): "A Close Look at Hong Kong's Entrepot Trade"]

[Text] The Hong Kong government's "Hong Kong Statistics Monthly" for May 1993 contained a report on Hong Kong's entrepot trade.

This report pointed out that prior to 1959, Hong Kong had never published separate entrepot trade statistics. Entrepot trade figures at that time were included in the total value of exports, i.e., Hong Kong's exports and the entrepot trade were lumped together. Thereafter, Hong Kong's trade statistics gradually improved, and after 1959 statistics began to be published for the entrepot trade. The statistics show a steady increase in Hong Kong's entrepot trade except for 1961 and 1975.

Toward the end of the 1970's, Hong Kong's entrepot trade entered a period of marked increase; and during the 1980's, influenced by China's policy of opening to the outside world, Hong Kong's entrepot trade developed even further. Today, Hong Kong's entrepot trade continues to flourish.

Development of the Entrepot Trade

During the period 1980 through 1992, the value of Hong Kong's entrepot trade increased 30 percent each year. During the same period it increased 24 percent in volume. During 1987 and 1988, Hong Kong's entrepot trade particularly flourished, and the rate of increase was especially remarkable at 50 percent over each previous year. Despite the slowing and decline in the entrepot trade for the following several years, during the first quarter of 1992 the increase was rather marked at 25 percent above the same period in 1992. Statistics for January through June 1993 show a 22 percent increase over the same period in 1992.

In 1988, the value of the entrepot trade was greater than the value of Hong Kong's exports for the first time, and in 1991 the value of the entrepot trade was more than double the value of Hong Kong's exports. Furthermore, the entrepot trade steadily rose as a percentage of both total export value and total trade value. In 1980, for example, the value of the entrepot trade was only 31 percent of total export value, and 14 percent of total trade value. During the first quarter of 1993, however, the figures show that the entrepot trade accounted for a respective 78 and 38 percent of total export value and total trade value.

Since entrepot commodities affect commodity imports, the trading activity that the entrepot trade has spawned vastly exceeds that of the entrepot trade. A Hong Kong Census and Statistics Department survey shows an entrepot trade marginal rate (i.e., the difference between the value of the entrepot trade and the value of imports

brought in by the entrepot trade) was 16 percent in 1991. The figure obtained by multiplying the value of entrepot trade by 0.84 percent (i.e., $1 - 0.16$) suggests that the value of entrepot trade related imports was HK\$449 billion in 1991 and HK\$580 billion in 1992. Thus, the total value of entrepot-related trade was HK\$984 billion in 1991 and HK\$1.271 trillion in 1992, or 64 and 68 percent of the total value of Hong Kong's trade respectively.

Analysis of Hong Kong's Entrepot Trade
(Units: HK\$100 million)

Year	Total Value	Percent Increase Over Previous Year	Percent of Total Exports Value	Percent of Total Trade Value
1980	301	50.2	30.6	14.3
1981	417	38.8	34.2	16.0
1982	444	6.3	34.8	16.4
1983	563	26.9	35.0	16.7
1984	835	48.3	37.7	18.8
1985	1,053	26.1	44.8	22.6
1986	1,225	16.4	44.3	22.2
1987	1,828	49.2	48.4	24.2
1988	2,754	50.7	55.9	27.8
1989	3,464	25.8	60.7	30.6
1990	4,140	19.5	64.7	32.3
1991	5,348	29.2	69.8	34.6
1992	6,908	29.2	74.7	36.7
1993 (January-June)	3,758	22.0	78.4	38.1

Important Markets of the Entrepot Trade

Since 1980, China has been the largest market for Hong Kong's entrepot trade, rising to first place from sixth place in 1976. In 1992, goods transiting Hong Kong to China accounted for 31 percent of the total entrepot trade. In 1980, the figure was only 12 percent, and during the first quarter of 1992, it increased to 33 percent.

For many years, the United States has been Hong Kong's second entrepot market, its percentage of the entrepot trade increasing from 10 percent in 1980 to 21 percent in 1992, and amounting to 20 percent during the first quarter of 1993.

Prior to 1990, Japan was Hong Kong's biggest entrepot market, but it has slipped to third place, accounting for only approximately 5 percent of Hong Kong's entrepot trade.

In 1980, Germany accounted for only 2 percent of Hong Kong's entrepot trade. Following a decline in 1981, Germany's percentage has increased little by little. By 1992, Hong Kong's entrepot trade with Germany increased only 3 percent, a lower percentage than for most other places. However, during the first quarter of

1993, it increased 21 percent over the same period in 1992 to account for slightly more than 5 percent of Hong Kong's entrepot trade.

In recent years, Hong Kong's entrepot markets have also included Taiwan, the U.K., Singapore, and South Korea.

For a time during the 1960s, Indonesia was a major Hong Kong entrepot market, and it was still Hong Kong's third entrepot market during the early 1980s. Thereafter, however, its importance diminished rapidly. By 1992, the entrepot trade with Indonesia had slipped to 1 percent.

Analysis of Principal Hong Kong Entrepot Trade Markets 1980-1993

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993 (Jan-Jun)
China	46 (15.4%)	80 (19.3%)	80 (18.0%)	122 (21.6%)	281 (33.6%)	460 (43.7%)	409 (33.4%)	602 (32.9%)	949 (34.5%)	1035 (29.9%)	1109 (26.8%)	1533 (28.7%)	2121 (30.7%)	1294 (34.4%)
		+73.3%	-0.6%	+52.4%	+130.4%	64.0%	-11.1%	+47.1%	+57.7%	+9.1	+7.2	+38.2%	+38.3%	+35.9%
United States	31 (10.3%)	48 (11.5%)	56 (12.7%)	80 (14.3%)	121 (14.5%)	147 (14.0%)	224* (18.2%)	325 (17.8%)	495 (18.0%)	720 (20.8%)	878 (21.2)	1108 (20.7%)	1485 (21.5%)	781 (20.8%)
		+55.1%	+17.3%	+43.0%	+50.8%	+21.4%	+52.1%	+45.1%	+52.5%	+45.6%	+21.8%	+26.3%	+34.0%	+22.2%
Japan	22 (7.3%)	28 (6.7%)	26 (5.8%)	32 (5.6%)	46 (5.5%)	55 (5.2%)	67 (5.4%)	98 (5.3%)	174 (6.3%)	223 (6.4%)	244 (5.9%)	296 (5.5%)	375 (5.4%)	187 (5.0%)
		+26.8%	-8.1%	+23.8%	+45.9%	+18.4%	+21.7%	+46.4%	+78.2%	+27.8%	+9.5%	+21.3%	+26.7%	+14.7%
Germany	7 (2.2%)	6 (1.5%)	7 (1.6%)	8 (1.4%)	11 (1.3%)	16 (1.5%)	28 (2.3%)	58 (3.2%)	90 (3.3%)	135 (3.9%)	234 (5.7%)	321 (6.0%)	331 (4.8%)	183 (4.9%)
		-5.4%	+11.0%	+12.1%	+39.6%	+48.1%	+75.0%	+104.3%	+56.0%	+50.3%	+73.4%	+37.0%	+3.2%	+22.2%
Taiwan	22 (7.4%)	24 (5.8%)	27 (6.0%)	35 (6.1%)	49 (5.8%)	43 (4.1%)	59 (4.8%)	97 (5.3%)	141 (5.1%)	165 (4.8%)	212 (5.1%)	248 (4.6%)	262 (3.8%)	108 (2.9%)
		+8.6%	+10.0%	+28%	+40.9%	-11.2%	+37.3%	+63.1%	+45.9%	+16.6%	+28.9%	+16.6%	+5.6%	-18.1%
UK	8 (2.7%)	9 (2.2%)	7 (1.5%)	8 (1.4%)	10 (1.2%)	12 (1.2%)	25 (2.0%)	43 (2.3%)	64 (2.3%)	89 (2.6%)	121 (2.9%)	147 (2.7%)	206 (3.0%)	102 (2.7%)
		+11.0%	-27.8%	+16.3%	+28.1%	+26.3%	+101.9%	+71.6%	+50.3%	+38.9%	+35.7%	+21.1%	+40.4%	+24.1%
Singapore	25 (8.3%)	32 (7.8%)	36 (8.2%)	45 (8.0%)	45 (5.4%)	44 (4.2%)	53 (4.3%)	65 (3.5%)	87 (3.2%)	110 (3.2%)	126 (3.0%)	121 (2.3%)	139 (2.0%)	81 (2.2%)
		+29.2%	+12.5%	+24.0%	-0.3%	-2.7%	+19.9%	23.2%	+34.3%	+26.7%	+14.0%	-3.8%	+14.7%	+25.5%
South Korea	9 (3.0%)	14 (3.4%)	17 (3.8%)	24 (4.3%)	34 (4.1%)	39 (3.7%)	58 (4.8%)	90 (4.9%)	118 (4.3%)	133 (3.8%)	130 (3.1%)	145 (2.7%)	136 (2.0%)	72 (2.0%)
		+55.8%	+21.3%	+43.6%	+41.0%	+12.6%	+5.0%	+53.5%	+31.2%	+12.9%	-2.0%	+12.5%	-7.1%	+3.9%
France	3 (-9%)	3 (0.8%)	3 (0.7%)	4 (0.6%)	4 (0.5%)	6 (0.6%)	9 (0.7%)	18 (1.0%)	31 (1.1%)	45 (1.3%)	64 (1.5%)	90 (1.7%)	110 (1.6%)	62 (1.6%)

Important Sources of Supply for the Entrepot Trade

China is the main source of supply for Hong Kong's entrepot trade, its percentage of the entrepot trade markedly rising. In 1980, the entrepot trade coming from China amounted to 28 percent of Hong Kong's entrepot trade. This increased to 59 percent in 1991, and was 58 percent in 1992. During the first quarter of 1993, it was 55 percent.

The American market is the main one for the sale of entrepot goods coming from China. In 1992, 35 percent of entrepot commodities coming from China were in transit to the United States, 8 percent were in transit to Germany, and 7 percent were in transit to Japan. During the late 1980s, Germany became an important market

for Chinese entrepot goods, and in 1990 it replaced Japan to become the second largest market for Chinese entrepot goods.

Japan remains the second major source of supply for Hong Kong entrepot goods. Although the percentage it supplies has been sometimes up and sometimes down in recent years, it increased to 22 percent in 1984, but gradually declined to 10 percent in 1990. During the past 2 years, it has risen again reaching 14 percent during the first quarter of 1993.

Between 1989 and 1991, the percentage of entrepot goods from Japan fell, though it had risen greatly for the two years previous, and rose again for the 2 years

afterward, increasing to 49 percent in 1992. During the first quarter of 1993, it rose even higher to 52 percent.

A substantial percentage of Japan's entrepot goods goes to China. In 1992, two-thirds of Japan's entrepot goods was in transit to China. In 1992, Vietnam replaced Taiwan to become the second largest market for entrepot foods from Japan. In that year, HK\$4 billion worth of entrepot goods from Japan was sent to Vietnam, a nearly four fold increase over 1991. During the first quarter of 1993, the increase was about four times the same period in 1992.

In 1988, Taiwan replaced the United States to become the third source of supply for Hong Kong's entrepot trade, supplying 8 percent of the total. A substantial part of this was in transit to China, 90 percent of it in 1992.

During the early 1980s, entrepot goods from the United States accounted for 10 percent of the value of Hong Kong's entrepot goods. Today, the percentage has fallen to 5 percent.

China is becoming an increasingly important market for entrepot goods from the United States. In 1992, more than 50 percent of American goods arriving in Hong Kong was en route to China, and another 13 percent was en route to Taiwan.

Goods in transit from South Korea accounts for about 3 percent of the value of Hong Kong's entrepot cargoes, a substantial portion of it en route to China—74 percent of it in 1992.

Entrepot Market Situation for all Areas Most of the goods in transit to China are raw materials, semi-manufactures, and capital goods. In 1992, for example, 20 percent of the goods in transit to China were textiles, 7 percent were electromechanical equipment and parts, 6 percent were special machinery, 60 percent were plastic raw materials, and 6 percent were motor vehicles.

Most of the goods in transit to industrialized countries like the United States, Japan, and the UK are ready-made clothing, toys, shoes, and various industrial manufactures.

The percentage of ready-made clothing transshipped to Taiwan, Singapore, and South Korea is not large. In 1992, more than half of transshipments to Taiwan were electromechanical equipment and parts, cigarettes,

animal and plant raw materials, and textiles. A substantial portion of transshipments to Singapore are communications equipment, sound equipment, instruments, office equipment, electrically powered machines and spare parts, camera equipment, and timepieces. Half of shipments in transit to Korea in 1992 consisted of textiles, and electromechanical equipment and parts.

Entrepot Goods Related to Foreign Processing

The foregoing analysis shows that a substantial portion of Hong Kong's entrepot trade is related to China. In 1992, goods in transit to China or coming from China en route elsewhere accounted for 86 percent of the value of Hong Kong's entrepot trade.

A very important percentage of transshipments are related to processing. This includes raw materials and semi-manufactures sent to China for processing after which they become Chinese products being shipped elsewhere via Hong Kong.

Hong Kong Census and Statistics Department figures show the value of entrepot goods en route to China for processing is half the value of all goods passing through Hong Kong en route to China. Entrepot goods also account for 70 percent of the total value of Chinese goods transiting Hong Kong for other destinations.

After understanding the entrepot trade figures related to processing in China, one can further realize that after deducting transshipments related to processing, the percentage of Hong Kong's entrepot trade with China is declining.

A summary of the past 10 years shows structural changes in Hong Kong's foreign trade, namely a change from mostly the export of Hong Kong goods to the entrepot trade. China's policy of reform and opening to the outside world has benefitted development of Hong Kong's entrepot trade. This includes not only transshipments to China to meet the needs of China's markets, but also includes the rapid development that processing activities have brought.

The central geographical position of China in Asia helps development of the entrepot trade. Additionally, Hong Kong offers a fine infrastructure and ancillary services such as communications, transportation, and finance and banking. So long as the international trade climate remains good, Hong Kong's entrepot trade will continue to prosper.

Analysis of Entrepot Trade Related to Foreign Shipments for Processing (Units: HK\$100 million)

	1989	1990	1991	1992
Entrepot Goods En Route to China				
Value of entrepot goods transhipped to China for processing as a percentage of the value of all entrepot goods transhipped to China	1,030	1,103	1,526	2,109
	449	555	736	974
	44 %	50%	48%	46%

Analysis of Entrepot Trade Related to Foreign Shipments for Processing (Units: HK\$100 million) (Continued)

	1989	1990	1991	1992
Chinese Goods Transshipped Via Hong Kong				
Value of entrepot goods of China origin shipped via Hong Kong to countries other than China	1,760	2,262	2,989	3,828
Value of entrepot goods of China origin related to processing in China shipped via Hong Kong to countries other than China	-	-	2,215	2,998
	-	-	74%	78%

Analysis of Major Sources of Supply for Hong Kong's Entrepot Trade 1980-1993

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993 (Jan-Jun)
China	84	128	147	197	281	346	516	843	1315	1883	2404	3157	4038	2092
	(27.9%)	(30.7%)	(33.1%)	(35.0%)	(33.7%)	(32.9%)	(42.1%)	(46.1%)	(47.8%)	(54.3%)	(58.1)	(59.0%)	(58.4%)	(67.7%)
		+52.9%	+14.5%	+33.9%	+42.8%	+23.2%	+49.0%	+63.3%	+56.1%	+43.1%	+27.7%	+31.3%	+27.9%	+17.5%
Japan	59	84	91	116	187	225	186	246	377	390	423	572	850	529
	(19.6%)	(20.1%)	(20.5%)	(20.7%)	(22.4%)	(21.4%)	(15.2%)	(13.5%)	(13.7%)	(11.3%)	(10.2%)	(10.7%)	(12.3%)	(17.1%)
		+42.6%	+8.2%	+28.0%	+60.8%	+20.4%	-17.4%	+32.4%	+53.3%	+3.4%	+8.4%	+35.5%	+48.5%	+42.2%
Taiwan	21	34	25	26	51	96	87	127	212	270	303	417	544	307
	(7.1%)	(8.1%)	(5.6%)	(4.6%)	(6.1%)	(9.1%)	(7.1%)	(6.9%)	(7.7%)	(7.8%)	(7.3%)	(7.8%)	(7.9%)	(10.0%)
		+58.3%	-26.0%	+2.9%	+98.6%	+87.1%	-9.2%	+46.1%	+67.2%	+27.1%	+12.3%	+37.7%	+30.6%	+24.3%
United States	32	40	49	60	85	95	104	136	192	223	245	266	321	176
	(10.5%)	(9.7%)	(11.1%)	(10.7%)	(10.2%)	(9.0%)	(8.5%)	(7.4%)	(7.0%)	(6.4%)	(5.9%)	(5.0%)	(4.6%)	(5.7%)
		+28.0%	+22.3%	+22.2%	+41.0%	+11.2%	+9.9%	+30.5%	+41.0%	+16.6%	+9.7%	+8.6%	+20.8%	+15.0%
South Korea	9	20	14	14	23	37	36	62	131	113	116	150	194	102
	(2.9%)	(4.7%)	(3.4%)	(2.4%)	(2.8%)	(3.5%)	(2.9%)	(3.4%)	(4.7%)	(3.3%)	(2.8%)	(2.8%)	(2.8%)	(3.3%)
		+122.9%	-30.2%	-0.2%	+70.2%	+58.5%	-1.9%	+72.1%	+110.9%	-13.6%	+2.9%	+29.4%	+29.1%	+9.6%
Germany	5	7	8	12	17	22	25	30	43	50	55	68	91	68
	(1.6%)	(1.7%)	(1.9%)	(2.2%)	(2.0%)	(2.1%)	(2.1%)	(1.7%)	(1.6%)	(1.4%)	(1.3%)	(1.3%)	(1.3%)	(2.2%)
		+44.0%	+16.0%	+49.4%	+36.1%	+33.7%	+13.4%	+19.4%	+40.9%	+16.2%	+11.1%	+23.5%	+34.2%	+74.4%
Singapore	3	7	5	7	9	9	11	16	27	50	47	62	83	53
	(0.9%)	(1.6%)	(1.2%)	(1.3%)	(1.1%)	(0.9%)	(0.9%)	0.9%	(1.0%)	1.5%	(1.1%)	(1.2%)	(1.7%)	
		+137.2%	-20.5%	+36.8%	+28.8%	-2.4%	+19.3%	+42.1%	+74.4%	+84.4%	-6.5%	+31.7%	+33.3%	+51.4%
U.K.	5	6	7	9	12	17	19	25	33	37	46	58	74	38
	(1.6%)	(1.4%)	(1.6%)	(1.5%)	(1.4%)	(1.6%)	1.6%	(1.3%)	(1.2%)	(1.1%)	(1.1%)	(1.1%)	(1.2%)	
		+23.4%	+16.5%	+25.5%	+33.3%	+49.1%	+10.9%	+28.3%	+32.2%	+13.9%	+25.3%	+25.2%	+27.4%	+8.6%
France	3	3	5	7	10	13	15	21	31	37	45	53	64	35
	(1.0%)	(0.8%)	(1.1%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.1%)	(1.1%)	(1.1%)	(1.0%)	(0.9%)	(1.1%)
		+17.7%	+39.0%	+41.0%	+51.5%	+21.2%	+17.8%	+43.6%	+47.9%	+18.7%	+21.8%	+17.1%	+21.5%	+12.9%
Switzerland	8	10	11	12	13	14	19	24	33	41	47	55	55	28
		(2.8%)	(2.3%)	2.4%	(2.1%)	(1.6%)	(1.3%)	(1.5%)	(1.3%)	(1.2%)	(1.2%)	(1.1%)	(1.0%)	(0.8%)
		+15.1%	+11.1%	+8.0%	+11.8%	+9.2%	+31.4%	+28.4%	+40.0%	+22.2%	+14.1%	+18.3%	-0.8%	

Note: (1) The figures enclosed in parentheses are the percentage of the total value of entrepot sources of supply. (2) The figures not enclosed in parentheses are the percentage of increase or decrease over the same period in the previous year.

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